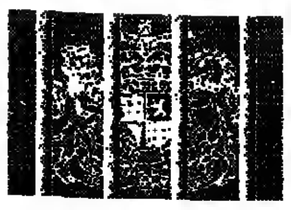

Avoidably detained

Asylum seekers or criminals?

Page 17

Gold rush

New techniques to transform mining

Page 10

Russian economy

On the brink of collapse

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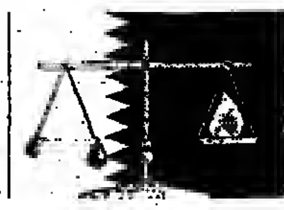

Shifting fortunes

Qatar weighs up its options

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FINANCIAL TIMES

Europe's Business Newspaper TUESDAY MARCH 22 1994 D8523A

EU enlargement faces delay over voting rights row

France and Germany will today press Britain and Spain to try to resolve the crisis over voting rights in an enlarged European Union. Neither London nor Madrid appears ready to soften its position at today's meeting of foreign ministers in Brussels and the European Parliament further damped hopes of a solution when the Socialists, largest group in the assembly, rejected the compromise being offered to Britain and Spain. The issue could force the EU to delay a decision on new voting arrangements, jeopardising an already tight timetable for the entry of Finland, Sweden, Austria and Norway by January 1 1995. Page 18

SPD 'let tax cat out of the bag'

Germany's opposition *Social Democrats* were last night trying to save themselves from an electoral own-goal in the form of an election programme committed to raising taxes on higher income-earners. The mass-circulation Bild newspaper claimed party leader Rudolf Scharping (left) "let the tax cat out of the bag" and said half of all German taxpayers would be affected if the plan were implemented. Page 18

Porsche seeks more work: Luxury sports car maker Porsche is to further expand its business of building cars for other manufacturers. It has contracts at present with Mercedes-Benz and Audi. Page 19

US criticised over trade pact delays: The US was attacked by Australia, Indonesia, New Zealand and Singapore for its apparent willingness to consider delaying the implementation of the Uruguay Round of trade agreements until next year. Page 4

EU imposes tariffs on South Africa: The European Union has imposed tariffs of nearly 50 per cent on Chinese and South African imports of ferro-silicon, a material used in iron and steel production, saying these producers are dumping their products on EU markets. Page 4

Lucas Industries, UK motor and aerospace components group, reported interim pre-tax profits up to £20.1m ($29.34m) from £4.2m, helped by cost reductions, but warned that its markets remained weak. Page 20; Lex, Page 18

UAP profits climb 31%: Union des Assurances de Paris, the insurance group which is the next candidate for the French government's privatisation programme, reported a 31.8 per cent increase in annual net profits to FFr1.42bn ($230m) in 1993. Page 20

Non-EU trade deficit narrows: The UK's visible trade deficit with non-European Union countries narrowed to £672m ($981m) in February from a revised £788m in January, but a deterioration in trade volumes continued. Page 8

Talks consider Palestinians' protection: Talks between Palestinian and Israeli officials about protection for Palestinians in the occupied territories continued, but were expected to adjourn without a solution to the row which has stalled resumption of full peace talks. Page 6

Hibernian Group, Dublin-based insurance and financial services company, announced a surge in 1993 pre-tax profits to I£47.4m ($66.7m) from I£5.66m. The figure included I£27m from investment profits, compared with previous losses of I£11.9m. Page 29

BK Vision, an investment fund that is the largest shareholder in Union Bank of Switzerland, is proposing that the bank cut its board membership from 22 to a maximum of nine. Page 18

Banks near accord on Euro Disney rescue: The Euro Disney banks are expected formally to approve a FFr13bn ($2.25bn) rescue package for the stricken leisure group which runs the EuroDisney theme park near Paris within the next few weeks. Page 22

Clinton sends aid to fishermen: The Clinton Administration is sending $30m of emergency aid to fishing communities in the north east US suffering from a collapse in fish stocks. Page 3

Earthquake costs expected to rise: The financial toll of January's California earthquake is likely to reach as much as $4bn following an announcement by US insurer Allstate that it has raised its estimate of losses. Page 19

STOCK MARKET INDICES

FT-SE 100:	3198.0	(-20.1)
Yield	3.78	
FT-SE Eurotrack 100	1436.71	(-8.80)
FT-SE-A All-Share	1616.26	(-0.5%)
Nikkei	Closed	
New York: lunchtime		
Dow Jones Ind Ave	3,862.83	(-32.82)
S&P Composite	467.57	(-3.49)

US LUNCHTIME RATES

Federal Funds:	$3\frac{3}{16}$%
3-mo Treas Bills: Yld	3.569%
Long Bond	$91\frac{3}{16}$
Yield	6.952%

LONDON MONEY

3-mo Interbank	$5\frac{1}{4}$%	(same)
Liffe long gilt future:	Mar $110\frac{1}{8}$	(Mar $110\frac{13}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$13.775	(13.64)

Gold

New York Comex (Apr)	$386.3	(387.6)
London	$386.2	(same)

STERLING

New York lunchtime:		
$	1.4815	
London:		
$	1.4845	(1.4888)
DM	2.5202	(2.525)
FFr	8.5897	(8.6016)
SFr	2.134	(2.1453)
Y	157.768	(157.86)
£ Index	80.4	(80.5)

DOLLAR

New York lunchtime:		
DM	1.70225	
FFr	5.79825	
SFr	1.43885	
Y	106.2	
London:		
DM	1.6979	(1.6961)
FFr	5.7862	(5.7777)
SFr	1.4375	(1.441)
Y	106.29	(106.035)
$ Index	66.5	(66.4)
Tokyo closed		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lev25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000
						UAE	Dh12.00

Chernomyrdin meets Yeltsin amid coup allegations

By John Lloyd in Moscow

Mr Victor Chernomyrdin, the Russian prime minister, cancelled talks with the head of the International Monetary Fund yesterday and flew to the Black Sea resort of Sochi for talks with President Boris Yeltsin, amid allegations of a coup plot.

According to a document printed in the liberal daily Obshchaya Gazeta at the weekend, a group of senior officials had agreed to overthrow Mr Yeltsin because of his physical inability to fulfil his presidential duties.

The group, which includes Mr Oleg Soskovets, the first deputy prime minister, General Mikhail Koslenikov, the head of the general staff, Mr Vladimir Shumeiko, the leader of the upper house and Mr Yuri Luzhkobv, the Moscow mayor is a curiuus one, because most of its members have been close allies of the president.

However, the allegations have been taken seriously in Moscow, and security services spent the weekend interrogating ministers on their possible participation in the alleged plot. Meanwhile, Mr Soskovets demanded that the public prosecutor investigate the mstter.

The allegations caused alarm in the west. However, senior officials in Washington said last night that they had no information as to their veracity.

Mr Chernomyrdin's unscheduled trip was said by one of Mr Yeltsin's press spokesmen to be no more than a routine meeting at a date convenient to both men. However, Mr Charnomyrdin broke an appointment with Mr Michel Camdessus, the IMF managing director, which had been on his schedule as late as Sunday night.

The Obshchaya Gazeta document said Mr Yuri Skokov, the secretary of the Security Council, had been due to appear on Central TV on March 10 to proclaim Mr Yeltsin's unfitness to govern and to present a video of Mr Yeltsin under the influence of alcohol. At the same time, a parallel process was to be set in train in parliament to transfer presidential powers to Mr Chernomyrdin, constitutionally the next in line.

However, Mr Alexander Yakovlav, the head of Central TV, refused to countenance the broadcast and informed the president's office about it, after which, according to the document, Mr Skokov and Mr Koslenikov both went abroad. The document said, however, the conspirators did not abandon their plan, seeking to persuade the head of the Gasprom state oil producing corporation, Mr R. Byakhirevo, to make the broadcast.

Senior politicians said the upper echelons of government were in turmoil. Mr Boris Fyodorov, former vice-premier in charge of finance, said that "It's clear something is going on, and that the situation is very tense".

All fall down, Page 17

Loan pact hopes fade, Page 2

Clinton vows to defend Seoul as Pyongyang defies pressure over N-site inspections

S Korea to get Patriots as fears of attack grow

By John Burton in Seoul, Nancy Dunne in Washington and Patrick Blum in Vienna

US President Bill Clinton yesterday agreed to the deployment of Patriot missiles to South Korea as a "purely defensive" move and said the US would defend South Korea from attack by North Korea.

Mr Clinton's assurances followed defiant statements from Pyongyang claiming that US demands for further inspections of nuclear sites were "perfidious acts ... creating a grave situation on the Korean peninsula, which may bring the Korean nation back to the phase of confrontation and war".

Pyongyang's tough language has prompted concern in Seoul and accelerated plans for the deployment of Patriots.

In response to the mounting tension with North Korea, Mr Clinton said: "We have agreed that it is in our national interests and the interest of the people of South Korea and the security of our armed forces there to proceed with the Patriot deployment. So we will do that." Mr Clinton did not disclose the dates of the deployments or the numbers of missiles involved.

Pyongyang yesterday maintained its defiant stance against concerted international pressure to open its nuclear sites to full inspections.

North Korea threatened to withdraw from the nuclear non-proliferation treaty if the US resumes its annual military exercise in South Korea and if the International Atomic Energy Agency decides that North Korea has not complied with its nuclear obligations.

PAGE 6

- North Korea's 'sea of fire' threat shakes Seoul
- Beijing fears trade sanctions on rogue regime
- Self-reliance may soon be put to the test

- Editorial Comment Page 17

The IAEA is likely to refer the North Korean nuclear issue to the UN Security Council today after Pyongyang blocked inspection tests at the Yongbyon nuclear complex. The UN Security Council may then consider economic sanctions on North Korea.

Leaving room for Pyongyang to avert an international crisis, the IAEA called on North Korea to allow the agency's inspectors to undertake meaningful tests at a radiochemical laboratory at Yongbyon and at other sites.

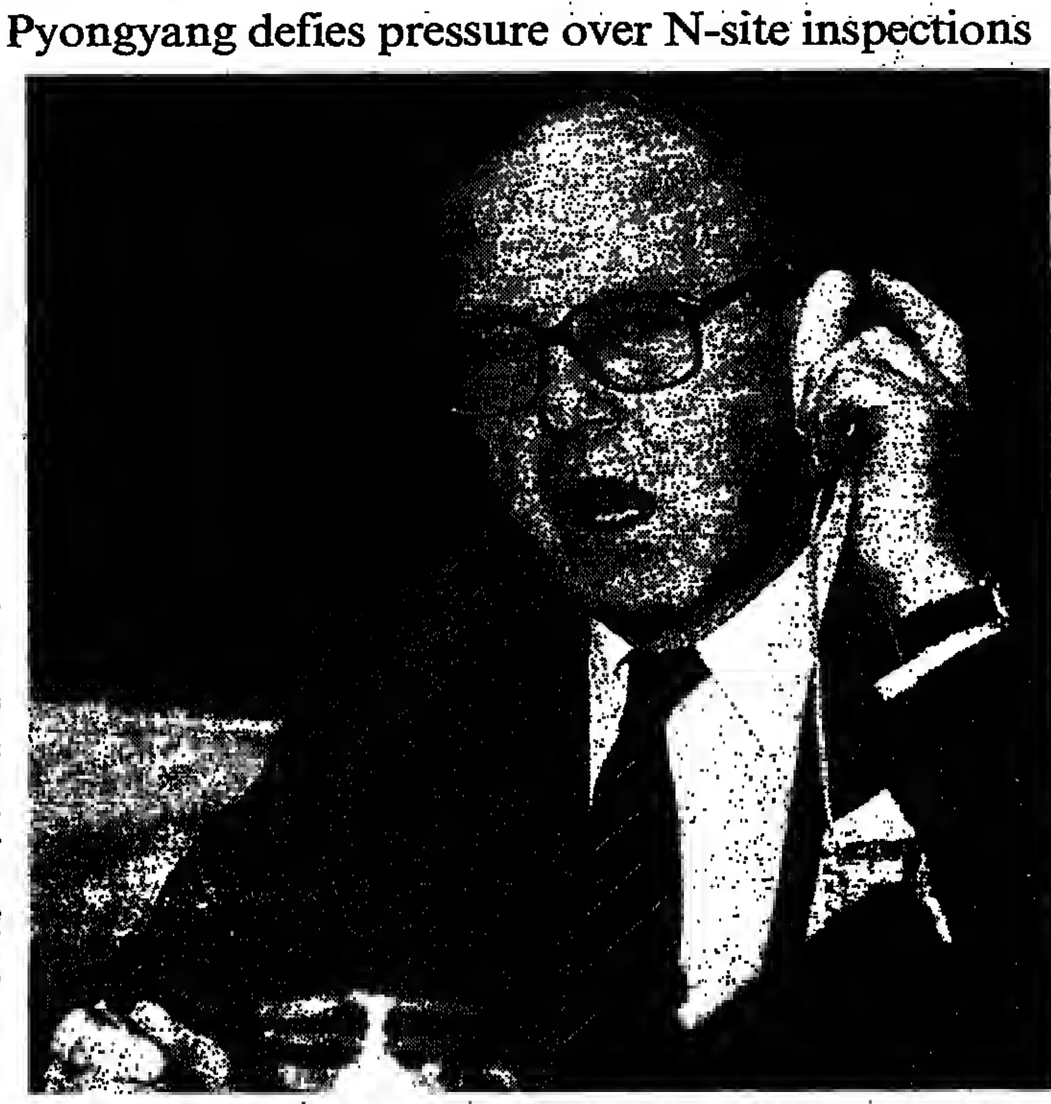
A meeting of the agency's board of governors in Vienna also asked Mr Hans Blix, its director general, to inform the Security Council of its request.

After belligerent statements at the weekend, the North yesterday accused South Korea of "driving the North-South relationship into a situation of confrontation and war", after the collapse of inter-Korean talks.

Seoul also resumed preparations for the Team Spirit military exercise, although a decision on its timing has been delayed until President Kim Young-sam discusses the situation on the Korean peninsula with Chinese and Japanese leaders this week.

US Secretary of State Warren Christopher said US policy would take account of all the risks and dangers, but emphasised that some form of international action was necessary to combat nuclear proliferation. Seeking to calm fears of a looming nuclear confrontation, Mr Christopher said: "We're going to be proceeding very deliberately and prudently in this situation."

In Moscow, the foreign ministers of Russia and Japan added their countries' support to the IAEA. "We [Russia and Japan] demand that North Korea agrees to receive inspectors from the International Atomic Energy Agency," Japanese foreign minister Tsutomu Hata said after talks with his Russian counterpart Andrei Kozyrev.



Hans Blix, director-general of the International Atomic Energy Agency in Vienna, calls on North Korea to allow the agency's inspectors to carry out tests at its nuclear sites Associated Press

Global telecoms project unveiled

By Louise Kehoe in San Francisco

Mr Bill Gates and Mr Craig McCaw, two of America's richest technology entrepreneurs, set out yesterday on an ambitious space odyssey: the creation of a $9bn global satellite communications system by the year 2001.

The two billionaires, each using "a few million dollars" as seed capital, aim to launch a fleet of 840 small satellites into orbit about 400 miles above the earth. The system would offer wireless data, video and voice communications worldwide.

The plan, however, faces technical and commercial doubts as well as daunting financial and political hurdles.

Mr Gates, aged 38, is co-founder and chairman of Microsoft, the world's biggest software company. Mr McCaw, 44, built McCaw Cellular Communications into the largest US cellular telephone company. It is now being sold to AT&T for $12.6bn.

Mr Gates, Mr McCaw and McCaw Cellular each will own 30 per cent of Teledesic, the new venture. Mr McCaw is chairman, but Mr Gates does not hold an executive position. Microsoft itself is not involved.

Teledesic revealed its plans yesterday by applying to the Federal Communications Commission for permission to begin construction of the satellite system.

Using very high frequency transmissions, the refrigerator-sized satellites would send and

Continued on Page 18

Denmark leads off telecoms sales with likely $2.7bn float

By Hilary Barnes in Copenhagen and Andrew Adonis in London

Tele Danmark, the Danish state monopoly telecommunications operator, launched the sale of 48.3 per cent of its shares yesterday, expected to be worth about $2.7bn.

The flotation is the first of a string of telecoms privatisations expected in the EU's continental states over the next two years and the world's largest since the sale of the final tranche of British Telecommunications in June.

More than 80 per cent of the 63m shares on offer are expected to be sold outside Denmark, making the privatisation one of the biggest international equity issues.

The offer will be marketed in five tranches: the Nordic countries – which will be guaranteed about 20 per cent of the shares – the US, the UK, continental Europe, and the rest of the world. It will be priced at the end of April and close in early May.

The shares are expected to be listed on the Copenhagen and New York stock exchanges, and will be quoted through Seaq international.

Unusually for a telecoms privatisation, all the net proceeds will go to the company, not to the government. Analysts believe the Danish government's decision to forgo a slice of the proceeds is likely to increase the attraction of the offer, particularly to institutions seeking a medium or long-term return.

The Danish government will retain a controlling 51 per cent stake in Tele Danmark, but the company will have operational independence. Mr Hans Wurzen, chief executive, said privatisation would enable it "to move away from political control in the face of competition in an open market in Europe".

The initial offering is expected to be in the price range DKr275-DKr315 per DKr10 share (or $20.83-$23.86 per American depositary share), according to the prospectus.

By capitalised value Tele Danmark is expected to become the second largest group listed on the Copenhagen Stock Exchange after the A.P. Moller shipping group's companies, D/S 1912 and D/S Svendborg.

Tele Danmark operates one of the cheapest and most advanced telecoms networks in Europe. Denmark has about 59 telephone subscribers per 100 people, compared with about 45 in the UK, and it has the highest proportion of cellular subscribers of any EU state.

Telecoms privatisations are also likely or possible this year in the Netherlands, Greece and Italy, with several others expected beyond the EU. The Greek privatisation is expected to raise about $1bn, the Dutch about $3bn.

The sale of the first tranche of shares in the German operator Deutsche Telekom, the largest privatisation on the horizon, is not expected until the end of next year at the earliest.

Denmark maps route, Page 20

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هكذا من الاصل

Krajina talks hold the key to overall peace deal

By Laura Silber in Belgrade

Prospects for an overall peace settlement in former Yugoslavia hang in the balance today, with the Croatian government due to meet Serb leaders of Krajina, the self-styled Serb state in Croatia.

Mr Vitaly Churkin, Russia's special envoy to the region will mediate in today's negotiations, which are considered crucial for cementing a settlement between the Bosnian Croats and Moslems. Any such settlement would determine the status of internal borders in Bosnia and Croatia.

President Franjo Tudjman of Croatia said yesterday that peace in Bosnia "will not be reached until the question of Krajina is solved", the Serbian daily Politika reported.

The future status of Krajina could determine what boundary concessions the Bosnian Serbs are prepared to make to the Bosnian Croats and Moslems, who signed an accord in Washington last week.

That accord paves the way for a Bosnian Croat/Moslem federation in one part of Bosnia which will have a loose confederation relationship with Croatia. But it failed to address the federation's new boundaries, largely because any agreement on boundaries depend on what relationship President Slobodan Milosevic of Serbia wants with the Bosnian Serbs – and with the Serbs in Krajina.

An agreement on Krajina's status could also lead to a peace treaty between Croatia and Serbia.

Mr Tudjman is demanding the return of Serb-held territories to Croatian control. But Mr Milan Martic, leader of Krajina, who takes instructions from Mr Milosevic, yesterday repeated that he would accept "nothing less than self-determination" for the Serbs. This would amount to independence for their "state" carved out during a six-month war in 1991 – something Mr Tudjman would never accept.

Mr Martic agreed to back the Russian initiative for today's talks, which will be held in the Russian embassy in Zagreb, partly because Mr Milosevic wants a peace accord with Croatia which would eventually end sanctions against his country.

Mr Churkin remains optimistic, according to the Serbian media, which reported that "both sides wanted to endorse a settlement".

Before any real compromises can be made, said Mr Slobodan Jarcevic, Krajina's foreign minister, the two sides must agree on a ceasefire and the withdrawal of the Croatian army from Krajina.

According to Belgrade radio, the Serbian delegation will include Admiral Dusan Rakic, defence minister, General Mile Novakovic, national security adviser, and Mr Jarcevic.

The Croatian delegation is expected to be led by Mr Hrvoje Sarinic, the republic's national security adviser.

Meanwhile, in Bosnia, as part of the growing Croat/Moslem rapprochement, President Alija Izetbegovic invited Mr Tudjman to visit Sarajevo as "another step towards implementing the agreement".

Bosnian Serb forces have positioned weapons inside the exclusion zone around Sarajevo, the United Nations claimed yesterday. Three tanks, three anti-aircraft cannon, four howitzers and 18 mortars have been found, although they are not pointing at Sarajevo and "are not capable of engaging Sarajevo", according to a spokesman. The Bosnian Serbs claim the weapons are outside the zone.

Hopes fade for Russia-IMF pact

By John Lloyd in Moscow

Agreement between Russia and the International Monetary Fund seems unlikely in the near future, and is likely to require government measures to convince the Fund that the 1994 budget is viable.

Talks between Mr Victor Charnomyrdin, the Russian prime minister, and Mr Michel Camdessus, the managing director of the Fund, set for yesterday, were postponed until today, following Mr Chernomyrdin's sudden decision to fly to Sochi for talks with President Boris Yeltsin. However, the outline of a longer term deal is already emerging, though very strong doubts remain on both sides about its feasibility.

A senior Russian official was quoted as saying that "the talks have got nowhere because of the IMF's non-constructive attitude". Fund officials in Moscow will not comment on the talks, though sources say they are impatient with the lack of information provided on the budget.

The talks, which began on Friday, have been going on at two parallel levels.

The first, between Mr Chernomyrdin, Mr Camdessus and Mr John Odling-Smee of the IMF, focus on broader policy and political aspects of managing the economy.

The second, involving Mr Sergei Dubinin, the finance minister, and the wider IMF team, concern the details and the underlying assumptions of the budget.

The key problem for the IMF team is the income side of the budget, where high inflation and low tax collection point to the government's inability to collect the Rbs120,000bn for which it has budgeted.

The likelihood is that the IMF will work out with the Russian government various ways of attempting to increase the tax take – and wait for around two months to judge whether or not these measures are working.

This approach, a standard IMF technique, would also test how committed Mr Chernomyrdin's government is to radical economic reform. The prime minister has repeatedly committed his government to observing the budget, and has in the past month given other public indications of his desire to continue economic change.

Mr Mikhail Zadornov, the chairman of the parliamentary budget committee, said that "no agreement on the second tranche of the IMF facility is likely to be signed in the near future" – a prediction with which the Fund and the government are unlikely to disagree.

US defence secretary William Perry (right) with Ukrainian counterpart Vitaly Radetsky as he inspects an honour guard in Kiev AP

More US aid for Kiev to disarm

Mr William Perry, the US defence secretary, yesterday promised Ukraine an additional $100m (£68.4m) to help dismantle its nuclear warheads and finance defence industry conversion, Reuters reported from Kiev.

Mr Perry's visit is part of a broader American effort to reward Ukraine for its decision last month to give up its nuclear arsenal. The three agreements he signed in Kiev earmark $50m to help dismantle the nuclear missiles in Ukraine, $40m towards the conversion of Ukraine's powerful military industries to civilian production, and $10m to fund tighter security for the shipment and storage of nuclear weapons in Ukraine. Mr Perry's assertion that America's relationship with Ukraine "is of great strategic importance to us" was a welcome signal for his Ukrainian hosts.

The Ukrainians have been feeling increasingly threatened by their Russian neighbours and are eager to build stronger ties with the west.

Austrian state oil group to shed jobs

OMV, the Austrian state-controlled oil group which is due to be privatised, has announced job reductions which will lower its workforce by a fifth over the next two years, *Reuter reports from Vienna.*

The company said the number of employees at its parent company would be cut to 4,000 by 1996. That would represent a 50 per cent reduction from a decade earlier.

A statement said OMV strategy was to strengthen the business "with the emphasis on reducing personnel costs." It would also focus on central European markets, in particular the growing demand for natural gas.

The statement did not say whether the planned job cuts had been agreed with union leaders, nor did it remark on their significance for the company's privatisation prospects.

The Austrian government wants to reduce its 72 per cent stake in OMV to below 50 per cent through a sale to a strategic partner. Abu Dhabi is tipped as a leading candidate, but Austrian partners are also being sought.

OMV has said it expects to make a 1993 loss of Sch4.7bn (£264m), including restructuring costs.

French mainstream parties advance

By David Buchan in Paris

The French political landscape has regained a certain stability after the first round of local elections. Although the governing centre-right parties underlined their supremacy, the opposition Socialists and their left-wing allies managed to recover from recent electoral disasters.

The mainstream parties gained at the expense of the fringes. The environmentalist vote slipped to less than 4 per cent, to the benefit of the left, and the National Front vote (9.8 per cent) dropped for the first time for many years below that of the Communist party (11.3 per cent), which rallied after a long decline. Despite record unemployment and violent anti-government protests, prime minister Edouard Balladur's coalition won 44.7 per cent of the vote, compared with 43.9 per cent in last year's legislative poll, and the Socialists and their allies took 28.8 per cent, up from 20 per cent last year.

In the short-term, therefore, the Balladur government will be reinforced in its determination not to cede further to the trade unions over its plan to allow French employers to pay some young people less than the national minimum wage, in return for extra training-on-the-job. While also continuing to meet yesterday with the unions to try to win their acquiescence to the youth wage plan, Mr Michel Giraud, the labour minister, said over the weekend the government would stand as firm against the protesters as France had against the German offensive at Verdun in 1916.

For his part, Mr Michel Rocard, the Socialist leader, claimed that his party had showed itself "half way" to regaining power.

But in a poll in which almost every party claimed satisfaction, if not victory, the National Front could point to its success in doubling the vote it gained in the 1988 cantonal elections, even if it fell well below the 12 per cent it scored in 1992-93 polls. In the south, the National Front did well in the scandal-ridden Var department, whose president, Mr Maurice Arreckx, after being questioned by police searching for the killers of the murdered MP, Mrs Yann Piat, has been forced into a difficult run-off. But allegations of financial misconduct did no harm to Mr Bernard Tapie, who came out top in a Marseille canton.

While last Sunday's first voting round was a pure test of parties' relative popularity, next Sunday's run-off is more complex as eliminated candidates throw their support to those still in the race. These alliances sometimes cross the classic left-right divide.

The broader consequence of the polling will be to silence, temporarily at least, critics of Mr Balladur and Mr Rocard inside their own parties. Supporters of Mr Jacques Chirac, the Gaullist RPR leader and Mr Balladur's rival for the presidency, openly acknowledged the poll's apparently positive verdict on the Balladur government.

Turin seeks a new driving force

The city's dependence on Fiat poses problems for its politicians, writes Andrew Hill

ITALIAN ELECTIONS
March 27

Turin does not look like a city with an identity crisis. The graceful squares and palaces of the centre and the less picturesque factories of the periphery bear witness to the domination of two dynasties: the royal House of Savoy and, in this century, the industrial House of Agnelli, founders of the Fiat motor group.

But this legacy is not enough to sustain the city. At the centre of the intriguing election campaign being fought on the piazzas and production lines is the question of Turin's economic and industrial future.

Mr Gino Giugni, labour minister in the country's current technocratic government, and one of the leading candidates in Turin for the left's Progressive Alliance, sums up the problem. "If the city lives by praying to Fiat, and identifies itself with the Avvocato [Gianni Agnelli, Fiat chairman], Juventus [the Fiat-controlled Turin soccer team] and other symbols of Fiat power, then it is destined to decline."

Turin's dependence on Fiat has benefited the city during the good times, but when the company is facing difficulties, as it has recently, the city also suffers.

This is a particular conundrum for the Progressive Alliance. Turin has always been a *città rossa*, a stronghold of the left, which has drawn on the support of Fiat employees. But advocating that Turin reduce its dependence Fiat will, not be enough unless the left can also propose alternatives which will tackle the 11.2 per cent unemployment rate and restore some of the city's pride.

Mr Giugni points to high-tech industry – for example, telecommunications and electronics – as one alternative path which the left intends to encourage, but he admits that north-west Italy still needs to encourage the strong entrepreneurial spirit which has developed in the north-east.

The days are also gone when the left could rely on the inherent militancy of the city's workers. In last year's run-offs for the election of a new mayor, the hard-left candidate was defeated by Mr Valentino Castellani, a university professor representing the more moderate Party of the Democratic Left (PDS), the main party in the Progressive Alliance. According to Mr Ezio Mauro, editor of the Turin-based daily La Stampa, "that proved that in Turin a space had opened up in the centre for a non-radical left which could beat both the right and the radicals".

Mr Castellani himself admits that the general elections will be a tougher test of this moderate support. His candidacy for mayor was eventually supported by the traditional Torinese families, white-collar workers, Fiat and the city's employers' federation, but opponents say that was mainly because Mr Castellani represented the lesser of two evils.

This time around, the PDS will have to confront in a direct contest the challenge of the centre parties, and more importantly, the right-wing alliance of Mr Silvio Berlusconi's new party, Forza Italia, the federalist Northern League and the neo-fascist National Alliance.

The PDS may also be handicapped by its uncomfortable alliance with Reconstructed Communism, the hammer-and-sickle communists who refused to be absorbed into the reformed PDS. In Turin, the task of playing down the contradictions is made doubly difficult by the fact that Reconstructed Communism's leader, the articulate Mr Fausto Bertinotti, is standing for election there.

As Mr Enzo Ghigo, co-ordinator for Forza Italia in Turin, puts it: "We are the real alternative to the left: we are the centre." Forza Italia and the League are hoping to encourage support among entrepreneurs and employees by reducing the cost of employing new, particularly younger, workers, and encouraging small and medium-sized enterprises. To answer Turin's desire for more autonomy from Rome, a mild fiscal federalism along US or German lines is also being stressed.

The Progressive Alliance is likely to win more support in Turin, however, in spite of these obstacles. One reason is that it has carefully tailored its party list to run along the city's political dividing lines. Reconstructed Communism's Mr Bertinotti, for example, is standing in one of the constituencies dominated by Fiat workers, while in the historic centre the Progressive Alliance is fielding the moderate PDS candidate Mr Franco Debenedetti, soft-spoken brother of Carlo, chairman of the Olivetti computer group.

Mr Debenedetti faces the toughest task of any Progressive Alliance candidate. One of his opponents is Mr Valerio Zanone, a former mayor standing for the centre parties; another is Mr Gipo Farassino, who made his name as a singer of dialect ballads and is now secretary of the Northern League regional branch.

Mr Farassino is particularly critical of the costly deal struck with Fiat last month by Mr Giugni in his capacity as labour minister, to avoid big job losses and industrial unrest in the motor industry. Fiat itself appears not to be taking sides in the campaign, but the right claims the Giugni accord may have bought the votes of many of the company's 115,000 Turin workers for the Progressive Alliance.

But although the agreement should be enough to help Mr Giugni's election, the big question for Turin is whether it will also buy breathing space after the poll, during which a new government can help the city develop new confidence and a new sense of identity.

The Catholic Church yesterday issued a thinly veiled warning to Italians to avoid voting for media magnate Silvio Berlusconi and his Forza Italia movement in the March 27 elections, writes Robert Graham in Rome. A document from the Italian bishops' conference urged voters to be wary of "conquerors of power".

The church has traditionally warned of the dangers of voting for communists and the left, and has also never concealed its distaste at the moral tone of Italian commercial television, mostly controlled by Mr Berlusconi.

But yesterday's document appeared to be an implicit reference to the political ambitions of Mr Berlusconi and his electoral promises. No other politician in the campaign has so openly exposed his desire to run the next government.

Monsignor Dionigi Tettamanzi, the bishops' conference secretary, explaining the document, reinforced the church's oblique criticism of Mr Berlusconi by saying that voters should judge electoral policies by their content not their form. Mr Berlusconi has been promising lower taxes and large-scale job-creation.

Throughout the post-war era the church has thrown its considerable weight behind the governing Christian Democrat party.

But with the DC's collapse, it can no longer call for a unified Catholic vote. Thus Mons Tettamanzi yesterday called for "coherence" in the catholic vote – an elegant way of admitting voters face a difficult choice.

EUROPEAN NEWS DIGEST

EU clears way for Sofia loans

EU finance ministers yesterday agreed to a Ecu110m (£83m) balance of payments loan to Bulgaria. The agreement paves the way for the release of a $600m (£411m) IMF and World Bank package to help the Sofia government reschedule its $9.3bn debt to commercial banks.

Ministers held back a further Ecu40m in the hope that a disbursement of Ecu150m will be matched by other members of the Group of 24 nations, including Japan and other OECD countries. Without G24 support, Bulgarian officials have warned that Sofia would have to renegotiate a new package with the IMF and World Bank. Foreign financing is needed so that Bulgaria can meet a June 30 deadline for rescheduling its commercial debt. The IMF is providing stand-by loans and funds of $400m, with the World Bank providing $200m.

Finance ministers agreed to delay offering further macroeconomic aid to Romania until later this year under the German presidency of the EU. "The (reform) situation is not yet ripe," said one official. *Lionel Barber, Brussels.*

France sees recovery signs

The French economy is on course for a progressive return to growth this year, according to the economy ministry, with gross domestic product set to increase by 1.4 per cent in 1994 and by 2.7 per cent next year.

At present the French economy is still in a fragile state. Business surveys in recent months have registered an improvement in confidence, but there is no sign of a pick-up in economic activity and unemployment is still increasing, albeit at a slower pace. The economy ministry expects the situation to improve steadily during the coming months and to see "significant signs of recovery" in the second half of the year as "reductions in interest rates stimulate consumer demand and industrial investment". France, said the ministry, should also benefit from the pick-up in other European countries.

However, the employment situation is not expected to improve until the second half of this year, when there may signs of job creation in the service sector. Retail price inflation should remain low, with the ministry forecasting a 1.6 per cent increase for 1994 and 1.7 per cent next year. *Alice Rawsthorn, Paris.*

Italian newspaper launched

Mr Indro Montanelli, the 84-year-old doyen of Italian journalists, was set to rediscover his voice today as editor-in-chief of a daily newspaper making its first appearance on the country's news-stands. La Voce, which is expected to have a liberal political flavour, is published just in time for next weekend's general election and a few months after Mr Montanelli stepped down as editor of Il Giornale after the proprietor, Mr Silvio Berlusconi, entered politics as leader of Forza Italia.

Mr Montanelli, a veteran anti-communist whose support for the populist Northern League in last year's mayoral elections in Milan is said to have been worth thousands of votes, is of such stature that his name will appear under the newspaper's masthead. He has, however, criticised all sections of the Italian right wing and, in recent interviews, has advised voters to "choose the lesser evil" by weighing up candidates and voting tactically. La Voce, a Milan-based broadsheet with an editorial staff of 75, is aiming at a break-even circulation of 100,000. Financial backers, which include the Benetton group, are limited to a 4 per cent stake. *John Simkins, Milan*

EBRD in property project

The European Bank for Reconstruction and Development yesterday announced a $4.1m investment in a $20m office project in St Petersburg. The deal will be its first investment in the property sector and its first project in St Petersburg. It involves the refurbishment and restoration of Nevsky Prospekt 25, an 18th century building in the centre of the city. The refurbished building will provide 10,000 sq m of office and retail space. The building will be the first substantial development of modern office space in the city when it is completed in 1995. The EBRD expects the project to encourage the development of Russia's competitive sector, by enabling international companies to set up businesses more easily in the city. *Vanessa Houlder*

Vladivostok poll cancelled

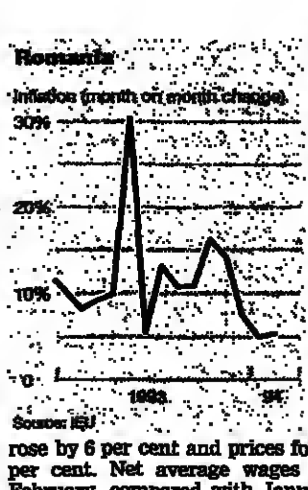
A power struggle in Russia's far eastern city of Vladivostok took a new twist yesterday with the postponement of provincial elections scheduled for Sunday. Itar-Tass news agency said Mr Yevgeny Nazdratenko, governor of Primorye region, ordered the polls postponed to October 23. Mr Nazdratenko, appointed by President Boris Yeltsin, is in dispute with Vladivostok's elected officials. Corruption charges have been filed against the mayor, Mr Viktor Cherepkov, and last Thursday the governor sent police to evict him from his offices. Mr Nazdratenko said that he had postponed the elections because there was no money for them and because of the need "to find funds for the social needs" of the poor. *Moscow, Reuter.*

Optimism on Cyprus talks

Turkish and Greek Cypriots are coming close to agreement on the essentials of a package of confidence-building measures on the divided island, the UN special representative, Mr Joe Clark, said yesterday. "My impression is that at the talks, we are drawing quite close to an agreement on the basic elements," he said after meeting the Turkish-Cypriot leader, Mr Rauf Denktash in Nicosia. Mr Clark launched the talks between Mr Denktash and Cypriot president Glafcos Clerides on February 17. His deputy, Mr Gustave Feissel, has shuttled between the Turkish and Greek sectors of divided Nicosia to secure agreement. The UN secretary-general, Mr Boutros Boutros-Ghali, has said he expects an agreement on the package by the end of March. *Nicosia, Reuter.*

ECONOMIC WATCH

Romanian inflation edges up



Romanian consumer prices rose by 5.9 per cent in February, compared with January, taking the average monthly inflation rate for the first two months of the year to 5.4 per cent. Consumer prices increased by around 5 per cent in January over December. Monthly inflation rates were 14 per cent in November and 7 per cent in December. The country is aiming at inflation in 1994 of 70 to 80 per cent and 35 per cent by the end of 1995, down from 295.5 per cent in 1993. In February, food prices increased by 6.9 per cent, service prices rose by 8 per cent and prices for commodities increased by 4.7 per cent. Net average wages increased by 4.5 per cent in February, compared with January, to 106,378 lei ($1 is worth 1,650 lei). Industrial production increased by 2.1 per cent in February over January, but was down by 3.4 per cent from February 1993.

■ Spain's merchandise trade deficit on a customs basis shrank 47 per cent to Pts89.69bn (£431.2m) in January from Pts168.91bn in January 1993. The January trade deficit was 60 per cent lower than the December shortfall of Pts221.80bn.

■ Switzerland's industrial production rose by 4 per cent and new orders to industry by 1 per cent in the fourth quarter of 1993 compared with a year earlier. However, total order books at the end of 1993 were 5 per cent lower than a year earlier.

■ Denmark's Consumer Price Index rose 0.3 per cent in February from January, taking the year-on-year inflation rate to 1.8 per cent.

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Ex-judge to testify in Whitewater probe

By Nancy Dunne in Washington

A former Arkansas municipal judge, who has alleged a link between President Bill Clinton and a questionable loan in the Whitewater affair, will today enter a plea bargain with Mr Robert Fiske, the prosecutor investigating the affair.

Mr David Hale was to go to trial on March 28 on four felony charges unrelated to Whitewater. However, as part of his plea bargain over these charges he has agreed to testify on Mr Clinton's alleged role in Whitewater.

Whitewater was the name of an Arkansas holiday development in which Mr and Mrs Clinton invested with their friends, Mr James McDougal, head of the Madison Guaranty savings and loan institution, and his wife Susan.

Questions have been raised about the Clintons' investment and whether Mr McDougal illegally funnelled depositors' money into Whitewater and to retire a Clinton campaign debt.

Mr Hale had offered last September to testify that Mr Clinton eight years ago pressured him to make a $300,000 loan to Mrs McDougal. Mr Hale then owned a company which made loans backed by the Small Business Administration.

The loan to Mrs McDougal went to her small public relations company. Mr Hale alleges some of the money went to the Whitewater account.

Mr Clinton has long denied exerting pressure on Mr Hale to make the loan and claims not to remember the loan at all. Justice Department lawyers rejected Mr Hale's story. However, Mr Fiske is more interested. After pleading to lesser charges, Mr Hale will be brought before the grand jury on Whitewater.

Mr Hale admitted misleading the SBA about his assets to get additional federal funds.

Land fuels quest for Hawaiian sovereignty

George Graham on a struggle for nationhood

One hundred and one years after the overthrow of Queen Lili'uokalani by a US gunboat acting on behalf of white sugar planters, native Hawaiians are striking back.

Sovereignty for the indigenous people of Hawaii has become one of the most fiercely debated political issues in the Pacific archipelago, and nationalists see signs that success may be within their grasp.

A sovereignty advisory committee appointed by Mr John Waihee, the first Hawaiian to win the governorship, has delivered a report recommending a plebiscite – to take place perhaps in June next year – on whether to "restore a sovereign Hawaiian nation".

That could lead, in turn, to a constitutional convention for the establishment of such a nation, which might include 20 per cent of Hawaii's roughly 1m population. Demands for sovereignty range from autonomy within the state – such as is enjoyed by a number of other American Indian nations over education and policing, for instance – to full independence outside the US.

The resurgence of demands for native Hawaiian rights reflects some of the islands' complex divisions. Dominated by white Americans, or *haole*, until the second world war, Hawaii's political establishment has changed complexion with the enfranchisement of its inhabitants of Japanese, Chinese and Filipino origin.

But class divisions overlay the racial splits: for example, Portuguese, who, like many of the Asian population, came to Hawaii as field labourers, are not always considered *haole*.

Although some of the more radical Hawaiian nationalists, such as Professor Haunani-Kay Trask of the University of Hawaii's Center for Hawaiian studies, have often been accused of reverse racism, the sovereignty movements insist on a more inclusive definition of Hawaiian than the state's, which counts only those with more than 50 per cent Hawaiian blood.

Of all the archipelago's ethnic groups, native Hawaiians have, since the US takeover in 1893, fared worst. Their life expectancy is five years less than for all other groups in Hawaii and their high school dropout rate is a third higher.

Hawaiians are the only major US native people without some autonomy

They are also the only major native people in the US not to be recognised as at least partly autonomous by the federal government. But the issue is not just one of social neglect or cultural identity. It has much to do with 1.6m acres of Hawaiian crown land held in trust for native Hawaiians who are supposedly eligible to live on it and farm it.

Native Hawaiians have received some recognition of their claims on these lands. The state last year agreed to pay $136m in overdue rent on ceded Hawaiian crown lands to the Office of Hawaiian Affairs, a state agency set up in 1978 whose trustees are elected by people claiming Hawaiian ancestry.

But the OHA, and this settlement, are greeted with derision by sovereignty groups such as Ka Lahui, which declared itself a new nation in 1987 and boasts 23,000 adult members.

The OHA says the $136m payment from the state in no way extinguishes the Hawaiians' land claims, but some state officials have suggested otherwise, and sovereignty activists consider it unlikely that the state government will willingly abandon the trust lands, which make up virtually its entire land holdings.

Internal disagreements may have weakened Hawaiians' drive for sovereignty, but Ms Lilikala Kame'eleihiwa, a Ka Lahui activist and colleague of Professor Trask's at the University of Hawaii, retorts: "Hawaiians are always being compared to crabs in a bucket, all pulling at each other. What I say to that is crabs don't belong in a bucket; they belong on the beach, and Hawaiians belong on their land."

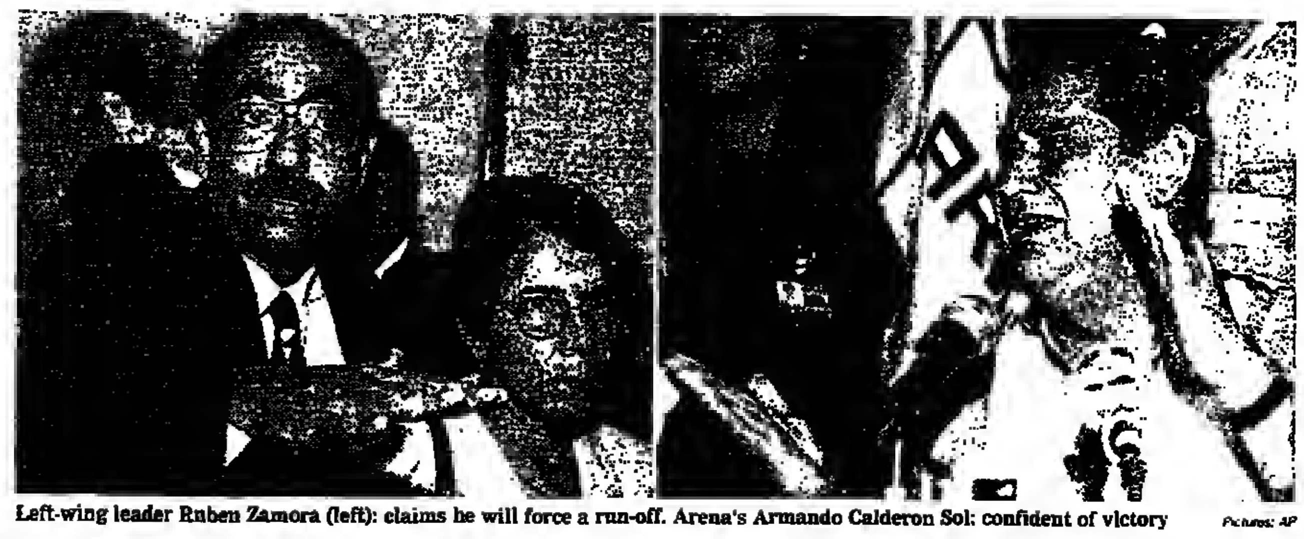
With native Hawaiians making up three quarters of the state's homeless, other sovereignty groups such as Ohana have begun occupying land to press their claims to the ceded territories.

The OHA is itself, to some extent, a sovereignty group with 69,000 registered voters, but it is working for the establishment of a Hawaiian nation within the state of Hawaii along the lines of the other native American peoples.

"There is one sovereignty movement, though it may be moving in different directions," says Ms Linda Delaney, an OHA official. "Where we do disagree is in terms of what happens to Hawaiian statehood." She argues that Hawaiians have more leverage within the state, where they make up 20 per cent of the population, than in the wider US.

Left may force second poll in Salvador

By Edward Orlebar in San Salvador



Left-wing leader Ruben Zamora (left): claims he will force a run-off. Arena's Armando Calderon Sol: confident of victory Pictures: AP

The race for the presidency in El Salvador may go to a second round, according to preliminary results of Sunday's poll – the first to be held since the end of a bloody civil war two years ago.

With two thirds of the votes counted the supreme electoral tribunal declared that Mr Armando Calderon Sol of the ruling Arena party was ahead of Mr Ruben Zamora by 49.6 per cent to 26.5 per cent. Mr Zamora is running for a left-wing coalition including the former FMLN guerrillas. A first round victory would require 50 per cent or more of the vote.

Observers say that although Mr Calderon Sol would be favourite to win a second round, the right-wing party's failure to secure an outright win would help provide greater checks and balances in El Salvador's fledgling democracy. A second election for president would be held on April 24.

However, Mr Calderon Sol predicted certain victory in the first round. He declined formally to declare himself winner but was in upbeat mood after early returns.

The elections have proved a notable success for the FMLN, which has become the second most important political force in the country, two years after it laid down arms following a United Nations-brokered peace agreement.

The FMLN, which was running its own candidates in simultaneous congressional and municipal elections will now head the opposition in congress and appears to have won a substantial number of municipalities, particularly in areas which it controlled during the 12-year civil war.

Election day was marred by irregularities, which the left-wing coalition said amounted to fraud on the part of the electoral tribunal, controlled by Arena.

The coalition claimed that various strategies had been used throughout the electoral process to reduce the number of voters, on the premise that a high turnout would favour the left. "The tribunal has done everything to impede that there is a democratic election," says Mr Facundo Guardado, a senior FMLN official.

Tens of thousands of voters who had electoral cards were unable to vote because they did not appear on electoral lists, while some 74,000 people, a high number of which were from areas believed to be sympathetic to the FMLN, were excluded because they did not have birth certificates.

FMLN leaders put the the total number of excluded voters at over 300,000. Most of these are new voters who, they believe, are more likely to support a left-wing coalition.

The UN mission in El Salvador, which has highlighted the country as a success story for peace where democracy is being consolidated, played down the irregularities. However, independent observers have questioned the will of the tribunal to ensure the election was as free and fair as possible.

"I used to give them the benefit of the doubt, but it comes to the point when you have to say it is bad faith," says Dr David Browning, the official British observer.

Fall in fish stocks spurs $30m Clinton aid

By Nancy Dunne in Washington

The Clinton Administration is rushing $30m of emergency assistance to fishing communities in the north-east suffering from a collapse in fish stocks.

The US Commerce Department said this was the first crisis in the fishing industry which warranted extensive federal assistance. Some 20,000 jobs are in jeopardy from the fall-off in stocks and new federal rules designed to rebuild them.

Washington is still worried about jobs, which are being created at a slower rate than in past economic recoveries. Such funding as is available in these days of stringent budgetary restraint is given high profile treatment.

The Commerce Department credited the assistance to President Clinton's trip to Boston last week when he directed Mr Ron Brown, commerce secretary and Mr Leon Panetta, office of management and budget director, to develop an aid package for New England. The department had been working on the package for several weeks.

Mr Brown was in Boston yesterday with members of New England's congressional delegation, Massachusetts governor Mr William Weld, a Republican, and members of fishing communities to make the announcement.

The financing will be provided by two commerce department agencies as well as states, localities and the private sector. Commerce's Economic Development Administration, which will provide $18m of emergency assistance funds to go to communities for reinvestment projects and diversification.

The National Oceanic and Atmospheric Administration will provide $12m for loan guarantees and grants to stimulate investment in alternative activities and establish a series of fishery assistance centres to serve as a clearing house for assistance to fishermen.

The administration is also proposing a comprehensive initiative to build sustainable fisheries. It is designed "to produce billions in overall economic gains and thousands of jobs annually by the end of the decade," the commerce department said.

Super 301 is not for you, EU told

By Guy de Jonquières and Lionel Barber

The US has sought to ease transatlantic trade tensions by insisting it is not considering invoking Super 301 sanctions in its disputes with Brussels over public procurement and audio-visual markets.

Mr Stuart Eizenstat, the US ambassador to the EU, also expressed cautious optimism Washington was making progress in its efforts to improve European understanding of its attempts to open Japan's market.

"There is at least a beginning of (EU) interest in talking to the US and trying to learn more," he said. However, their approaches still differed widely, and Brussels' suspicions of US tactics remained high.

Although Mr Eizenstat said the US would continue a firm line with Brussels on outstanding bilateral trade problems, his generally conciliatory tone suggests Washington is anxious to lower the temperature of its dealings with the EU.

In particular, he went out of his way to soothe recent concern in Brussels that Washington would take Super 301 action unless the EU acted more decisively to open its telecommunications equipment markets to foreign suppliers.

The EU and the US are holding further talks on public procurement in Washington this week to try to resolve their differences before next month's ministerial conference of the General Agreement on Tariffs and Trade in Marrakesh.

Although the two sides have sought to clarify their dispute by commissioning an independent study of transatlantic procurement markets, their interpretations of its preliminary findings appear to differ sharply.

The EU claims the study shows US markets are less open than its own. But Mr Eizenstat said the study merely confirmed the lack of transparency in tendering for European state and municipal contracts.

He said the US was taking a "co-operative" stance on audio-visual trade, where its main priority was to avoid further EU broadcasting restrictions. Washington hoped talks between entertainment industries on both sides of the Atlantic would lead to a more open EU market and increased collaboration.

The US would accept the outcome of a forthcoming review by Brussels of a five-year exemption from competition law of the leading Hollywood studios' European distribution arrangements, providing the case was a given "a transparent, fair, due-process hearing on its merits".

Mr Eizenstat said he was "gravely concerned" that that objective could be prejudiced by recent moves in the European Parliament in support of Europe's television industry and statements by Mr João de Deus Pinheiro, the European culture commissioner.

Mr Eizenstat said the US and the EU had "an identity of interest" in working to cut the Japanese trade surplus, but Japan had obscured it by persuading Brussels that Washington was engaged in an attempt to manage trade.

He did not want the EU and the US to give the impression that they were "ganging up" on Japan. "If we the EU understands what we're up to, if we can get the EU to focus on its own self-interest, it would send an important signal."

US warned against trade pact delays

By George Graham, recently in Honolulu

The US is coming under mounting criticism from some of its most important trading partners for its apparent willingness to consider delaying the implementation of the Uruguay Round of trade agreements until next year.

Australia, Indonesia, New Zealand and Singapore all attacked the US at the weekend meeting of finance ministers from the 18-nation Asia Pacific Economic Co-operation forum in Hawaii, warning that any slippage from the US could encourage other countries to delay carrying out their own promises to cut tariffs and reduce trade barriers.

Mr Lloyd Bentsen, the US treasury secretary, told his colleagues that the Clinton administration was committed to completing the agreement this year, or at the latest in the first half of next year. This assurance did not, however, satisfy all his fellow ministers.

Mr Ralph Willis, the Australian treasurer, warned: "It would be a tragedy if the immense human effort that led us to this agreement – which brought with it so much expectation of improved world trading relations and economic performance – were now to be postponed and perhaps dissipated through slow implementation."

The Uruguay Round of negotiations to liberalise the General Agreement on Tariffs and Trade is due to be wrapped up in Marrakesh next month, but the US has recently indicated that it might not be able to ratify the agreement this year.

Mr Richard Gephardt, the leader of the majority Democrats in the House of Representatives, has warned that it will be difficult to get agreement on the tax increases or spending cuts which, under US budget rules, will be required to offset revenue lost from the tariff cuts the US has agreed to.

"It can be done this year, but I'm not sure it needs to be done this year," Mr Gephardt said.

Other countries are indignant at the idea that the Gatt deal might be held up because of revenue supposedly lost, since the whole premise of the pact is that it will boost growth, and hence government revenue, around the world.

The Uruguay Round tariff cuts are estimated to cost the US government around $14bn (£9.5bn) in tax revenue over five years, but Mr Mickey Kantor, the US trade representative, told Congress last week that the Gatt agreement would bring in an extra $3 in federal tax revenue for every $1 of lost import duties.

Americas embrace 'open regionalism'

Stephen Fidler on rapid – some say worrying – trade integration

Economic integration in Latin America seems to be going forward at breakneck pace. Hardly a week passes without a trade deal being signed or a new initiative announced.

In the last few weeks, Brazil has launched an initiative for a South American free trade area and Mexico has signed a free trade agreement with Costa Rica.

The US administration also has announced that a summit of the leaders of elected governments in the Americas would be held in Miami in December. Free trade in the western hemisphere will be one of the main talking points, with the coming into force of the North American Free Trade Agreement between the US, Canada and Mexico at the start of the year.

These government moves are being accompanied by a sharp rise in trade within the region. Other Latin American countries accounted for 16.7 per cent of the region's exports in 1992, up from 10.8 per cent in 1990, according to the Economic Commission for Latin America. Trade expanded by more than 50 per cent in 1991 and 1992 and grew further last year. US exports to Latin America have doubled in seven years, rising to more than $80bn in 1993.

THE FASTEST GROWING TRADE RELATIONSHIPS IN LATIN AMERICA

Reciprocal exports (Annual growth rate %)

	1986	1987	1988	1989	1990	1991	1992
Relations governed by broad liberalisation agreements							
Argentina-Brazil	15.3	-4.5	18.4	24.2	22.1	43.3	59.0
Colombia-Venezuela	5.6	35.6	8.2	15.6	31.9	27.1	47.1
Argentina-Uruguay	35.4	28.3	3.8	-2.4	20.6	37.5	33.7
Argentina-Paraguay	16.7	11.5	-0.8	28.0	39.8	9.9	50.8
Chile-Mexico	-48.5	33.0	226.9	-17.6	16.2	13.6	44.9
	1986	1987	1988	1989	1990	1991	1992
Relations not governed by agreements							
Brazil-Mexico	-32.3	-9.7	19.7	47.3	17.6	40.5	63.6
Mexico-Venezuela	-23.5	54.1	1.8	46.8	127.8	-19.9	54.3

Source: International Commodity Trade Data Base (Comtrade) of the United Nations Statistical Division (Unstat), and other official sources.

Most governments claim the proliferation of free trade areas, customs unions and bilateral trade deals point in one direction – to what they call open regionalism. This means intensifying their relationships with other countries in the region while remaining open to the outside world.

But not everybody believes that the haphazard network of trade alliances is necessarily benign. Mr Moises Naim, senior associate at the Carnegie Endowment in Washington and a former Venezuelan minister, says that far from being the building blocks of a hemispheric free trade zone, sub-regional free trade agreements "are more likely to be stumbling blocks".

The Madrid-based Institute for European-Latin American Relations argued last year that the current round of market-driven regional trade accords – with ever greater links between those countries with the most dynamic economies – could reinforce rather than reduce wealth differentials among countries in the region.

Even free trade with the US may not yield many trade benefits. A 1992 report from two World Bank economists suggested only Brazil and Mexico would benefit substantially from free trade with the US since most exports from most other countries already face low duties there.

In July, Washington will name those countries that, in principle, would be eligible to negotiate free trade agreements with the US. The nomination does not commit the US to negotiations and says nothing about whether accession to Nafta or a bilateral trade accord with the US is the right way forward. The list will be next reviewed in 1997.

In spite of the lack of trade benefits, most Latin governments will be anxious to see their names on the list. They are emphasising other reasons for joining Nafta: insurance in case the world further develops into regional trade blocs and the increased investment they believe is implied by being in the Nafta club.

The process towards Nafta may not be that easy. Despite its promises to Chile that it will be next on the US free trade agenda, the administration of President Bill Clinton may not want to open another trade debate in a hurry. A lot of political capital was spent on securing the Nafta accord and other countries do not have the strategic significance to the US that Mexico has.

Nonetheless, Nafta's attraction may well loosen the ties that are binding Latin American countries together. Argentina is generally thought to be next in line after Chile for Nafta treatment, but it is committed to negotiate with the US as part of Mercosur, a regional common market to come into force next year with Uruguay, Paraguay and Brazil.

Yet Brazil's economic problems and the traditional mistrust of its governments for the US mean that Nafta is a low priority for Brazil.

While Mercosur governments this month reiterated their intention of trying to negotiate jointly with third parties such as the US, Brazil also took the opportunity to launch its own South American free trade zone. The Brazilian government stressed that this was not meant to be a competitor to Nafta and that the two initiatives were complementary.

But to some governments in the region, the initiative looks like a Brazilian attempt to recover some political weight lost in the region over the last decade and to counterbalance North American influence.

Whatever the case, some economists believe the idea may have real economic merit if it gives neighbouring countries free access to the big and still relatively protected Brazilian market.

"In the short run," says Mr Naim, "Latin American exports could increase more through freer access to the Brazilian market than they could by signing a free trade agreement with the US."

EU slaps tariffs on S Africa

By Gillian Tett in Brussels

The European Union has imposed tariffs of nearly 50 per cent on Chinese and South African imports of ferro-silicon, a material used in iron and steel production, saying these producers are dumping their products on EU markets.

The tariffs, which will last for five years, follow a six-month commission study which shows thatin the last four years Chinese and South African imports have risen from 9,000 tonnes to 31,000 tonnes while European production has fallen from 190,000 tonnes to 102,000 tonnes, the study says. Chinese and South African imports now represent 6 per cent of the market.

The new anti-dumping tariffs, which came into effect on Sunday, will be set at 49.7 per cent for Chinese imports, and 47.4 per cent for most South African imports.

Caution on labour rights sanctions

By Frances Williams in Geneva

Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, yesterday warned industrialised countries not to use trade sanctions to enforce environmental or labour standards.

"Simplistic demands for drastic trade remedies against so-called eco-dumping or social-dumping" sometimes bore a striking similarity to more conventional protectionist rhetoric, he said. In some ways they were more dangerous because of their popular emotional appeal.

Mr Sutherland's remarks, in a speech for delivery to the Canadian Club in Toronto, can be interpreted as a caution to the US and some European nations which are keen to see environmental objectives and worker rights put on the agenda for future trade talks.

Gatt members are currently trying to draw up a work programme on trade and the environment. However, developing countries are fiercely resisting any suggestion that this should include discussion of "levelling the competitive playing field" by harmonising national environmental standards. Worker rights is an even more sensitive issue.

Mr Sutherland said increased pressures for industrial adjustment as a result of the globalisation of trade and production threatened to overload the rich world's economic and political circuits. Differing approaches by newcomers to environmental protection or social welfare were proving a touchstone for claims that these countries wielded unfair trade advantages which must be met by trade restrictions.

"Resisting adjustment on the grounds of discredited theories of the threat of 'pauper labour' will impoverish our societies all the faster, not lay the grounds for rejuvenation of our economies and the creation of well paid new jobs," he said.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	8.0	6.9	6.00	10.59	n.a.
1986	13.5	8.3	6.49	7.67	3.43
1987	11.8	6.5	6.82	8.39	3.12
1988	4.3	5.2	7.65	8.84	3.61
1989	1.0	3.9	8.99	8.49	3.43
1990	3.7	5.3	8.06	8.54	3.60
1991	5.9	3.3	5.87	7.85	3.21
1992	12.4	2.4	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.76
1st qtr.1993	12.0	0.6	3.20	6.26	2.81
2nd qtr.1993	11.9	1.0	3.16	5.98	2.80
3rd qtr.1993	12.2	1.4	3.16	5.61	2.76
4th qtr.1993	10.5	1.4	3.34	5.59	2.73
March 1993	10.9	0.2	3.17	5.97	2.76
April	11.0	0.5	3.15	5.96	2.81
May	12.1	1.1	3.14	6.02	2.81
June	12.8	1.5	3.25	5.94	2.80
July	12.7	1.5	3.20	5.79	2.80
August	12.2	1.4	3.19	5.68	2.76
September	11.7	1.4	3.19	5.35	2.73
October	10.9	1.1	3.26	5.32	2.71
November	10.4	1.4	3.40	5.70	2.74
December	10.1	1.8	3.35	5.74	2.74
January 1994	9.7	2.0	3.20	5.71	2.72
February	10.0	2.2	3.49	5.97	2.74

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	5.0	9.3	6.62	6.51	n.a.
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	6.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.22	0.48
1990	2.8	6.5	7.62	6.91	0.65
1991	5.2	2.0	7.21	6.37	0.75
1992	4.5	-0.4	4.28	5.25	1.00
1993	3.0	1.4	2.83	4.16	0.87
1st qtr.1993	1.8	-0.4	6.28	4.34	1.00
2nd qtr.1993	3.2	1.4	3.09	4.55	0.83
3rd qtr.1993	3.3	1.9	2.83	4.25	0.80
4th qtr.1993	3.5	1.4	2.14	3.57	0.84
March 1993	0.9	-0.4	3.13	4.19	0.97
April	2.4	0.5	3.08	4.42	0.85
May	3.8	1.5	3.09	4.64	0.82
June	3.4	1.4	3.10	4.58	0.82
July	3.8	1.6	3.11	4.40	0.61
August	3.5	1.7	2.93	4.27	0.79
September	2.8	1.9	2.46	4.09	0.79
October	3.7	1.8	2.30	3.85	0.80
November	8.3	1.5	2.22	3.64	0.84
December	3.4	1.4	1.90	3.25	0.89
January 1994	4.2	1.6	1.96	3.34	0.85
February	6.3	1.6	2.05	3.60	0.80

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.3	5.1	5.45	6.94	n.a.
1986	10.0	8.3	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.7	6.4	4.34	6.46	2.61
1989	6.3	5.8	7.11	6.94	2.22
1990	4.5	4.5	8.49	8.71	2.11
1991	5.1	5.6	9.25	8.44	2.38
1992	7.1	6.2	9.52	7.77	2.45
1993	8.3	7.9	7.28	6.44	2.11
1st qtr.1993	9.6	7.5	8.31	6.87	2.42
2nd qtr.1993	9.5	8.6	7.68	6.73	2.24
3rd qtr.1993	9.9	6.1	6.82	6.34	2.01
4th qtr.1993	9.4	7.5	6.34	5.83	1.79
March 1993	10.0	7.8	7.98	6.59	2.27
April	9.1	6.7	7.92	6.63	2.23
May	9.3	8.5	7.52	6.80	2.27
June	10.1	8.5	7.60	6.77	2.22
July	10.1	6.7	7.24	6.57	2.09
August	10.1	8.3	6.62	6.34	1.98
September	9.5	7.3	6.63	6.12	1.96
October	9.1	6.4	6.64	5.93	1.86
November	8.4	7.4	6.31	5.86	1.82
December	7.8	8.8	6.11	5.71	1.69
January 1994	11.8	11.3	5.90	5.63	1.71
February			5.91	5.87	1.77

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.2	7.4	10.03	11.74	n.a.
1986	6.9	6.6	7.79	8.74	2.65
1987	4.1	9.9	8.26	9.46	2.75
1988	3.9	8.5	7.94	9.08	3.69
1989	7.8	9.5	9.39	8.79	2.88
1990	3.8	9.2	10.32	9.92	3.19
1991	-4.8	2.7	9.62	9.03	3.58
1992	-0.1	5.5	10.36	8.57	3.55
1993	0.2	-2.5	8.55	6.75	3.21
1st qtr.1993	0.6	6.4	11.83	7.66	3.38
2nd qtr.1993	-0.3	2.7	8.01	7.08	3.33
3rd qtr.1993	-0.7	0.6	7.74	6.38	3.14
4th qtr.1993	0.2	-2.9	6.74	5.92	3.01
1993 March	0.8	5.4	11.27	7.33	3.19
April	-2.7	4.0	8.06	7.14	3.25
May	-3.4	3.0	7.94	7.16	3.39
June	-0.3	2.7	7.32	6.95	3.35
July	-1.5	0.8	6.06	6.72	3.28
August	-1.9	0.2	7.93	6.33	3.06
September	-0.7	0.8	7.29	6.12	3.08
October	0.6	-0.3	6.99	5.95	3.02
November	-2.2	-1.3	9.74	9.02	3.07
December	0.2	-2.9	6.52	5.79	2.94
1994 January	1.8	-4.0	6.31	5.66	2.82
February			6.30	5.93	2.81

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.
1986	10.5	6.2	13.25	11.47	1.41
1987	10.4	9.8	11.32	10.58	1.94
1988	7.6	6.8	11.24	10.54	2.71
1989	7.1	6.2	12.41	11.61	2.46
1990	9.3	9.1	11.98	11.87	2.84
1991	7.3	8.0	11.83	13.20	3.45
1992	6.7	7.5	13.86	13.29	3.63
1993	4.3	7.0	10.22	11.23	2.35
1st qtr.1993	2.6	6.2	11.88	13.13	3.04
2nd qtr.1993	2.3	9.0	10.82	12.49	2.47
3rd qtr.1993	4.9	7.8	9.38	10.27	1.89
4th qtr.1993	7.1	7.8	6.89	6.10	2.02
1993 March	3.5	6.8	11.41	12.92	2.86
April	1.9	5.8	11.48	13.13	2.75
May	2.2	6.1	10.80	12.50	2.53
June	2.8	6.1	10.22	11.87	2.15
July	3.5	6.9	9.54	11.12	1.99
August	5.2	6.0	6.35	10.08	1.83
September	6.1	6.7	9.16	9.66	1.85
October	5.4	7.3	8.87	9.04	1.94
November	8.4	6.9	9.08	9.34	2.15
December	7.4	7.8	6.72	8.94	1.97
1994 January	8.2	8.6	8.44	6.69	1.88
February			8.37	6.76	1.74

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.7	13.2	12.32	11.03	n.a.
1986	4.0	15.3	11.02	6.97	4.35
1987	4.7	14.6	6.77	9.52	3.60
1988	6.8	17.0	10.41	9.69	4.48
1989	5.9	17.5	13.96	10.30	4.36
1990	5.3	16.1	14.82	11.53	5.07
1991	2.4	8.2	11.58	10.04	4.97
1992	2.3	5.3	9.73	9.09	4.51
1993	4.8	3.9	5.99	7.40	4.01
1st qtr.1993	4.4	3.5	6.43	7.97	4.35
2nd qtr.1993	4.2	3.8	6.00	7.92	4.04
3rd qtr.1993	5.0	3.7	5.96	7.13	3.91
4th qtr.1993	5.4	4.9	5.61	6.91	3.75
1993 March	4.7	3.7	6.04	7.66	4.24
April	4.8	3.5	6.02	7.91	4.08
May	3.4	3.8	6.03	8.08	4.04
June	4.5	3.4	5.95	7.88	4.01
July	4.7	3.5	8.01	7.49	4.03
August	5.1	3.6	5.91	7.00	3.83
September	5.1	6.8	5.86	6.91	3.66
October	5.4	4.3	5.83	6.91	3.81
November	5.1	4.9	5.96	6.77	3.84
December	5.8	5.4	5.40	6.28	3.91
1994 January	6.3	5.5	5.44	6.22	3.46
February	5.5	5.9	5.27	6.61	3.49

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

N Korea's 'sea of fire' threat shakes Seoul

Pyongyang may be set on cultivating a nuclear madman image, writes **John Burton**

The mood in Seoul has turned distioctly sombre since last Saturday when the chief North Korean delegate at an inter-Korean meeting declared: "Seoul will turn into a sea of fire."

After four decades, South Koreans had thought they had grown accustomed to the bellicose rhetoric of their oorthern brothers. But the inflammatory remarks by Mr Pak Yong-su are the talk of Seoul; the average South Korean has been made starkly aware of the potential seriousness resulting from the dispute over the North's nuclear programme.

It was the first time in more than two decades that North Korea had threatened the possibility of war in a meeting with South Korea. But South Koreans appeared more shocked by the personal threats directed against their delegates aod jouroalists attending the meeting at the truce village of Panmunjom.

The outburst was triggered when Mr Soog Young-dae, the chief delegate for South Korea, meotioned the possibility of UN sanctions being applied against North Korea for its refusal to accept full internatiooal nuclear inspections.

"It does not matter what sanctions are applied against us. We are ready to respond with an eye for an eye and a war for a war," said Mr Pak.

"Seoul is not far away from here. If a war breaks out, Seoul will turn into a sea of fire. Mr Song, you won't survive the war," he added.

Meanwhile, North Korean journalists covering the meeting were telling their southern couoterparts: "You'd better prepare passports for flight to the US if you are oot prepared to risk your life for your country."

But some government officials in Seoul yesterday were speculating that the barrage of insulting comments was carefully orchestrated and that North Korea is deliberately cultivating a "madman" image as a new psychological negotiating tactic to win concessions.

"The North's whole strategy on the ouclear issue is based on intimidation, playing on international fears that they will lash out if they are pushed too far," one government official said.

The prevaleot view in Seoul has long been that North Korea has fostered its image as a nuclear power to try to blackmail the US into granting coocessions, including diplomatic recognition, the lifting of trade sanctions and the supply of aid for its tottering economy.

Some analysts eveo believe the North is now blocking full inspections by the International Atomic Energy Agency oot because it has something to hide, but because it does oot want to disclose that its nuclear programme is ao empty threat. This would seriously weaken its negotiating position.

Most officials in Seoul are convinced that the North is pursuing a ouclear weapons programme, although Pyongyang might agree to abandon it if the US offers concessions.

Complicating the game of diplomatic poker are signs of a power struggle in Pyongyang over the nuclear issue.

Economic pragmatists, who want to open the country to foreign investmeot in a Chinese-style reform programme, may be urging President Kim Il-sung to play the nuclear card soon to avoid further international isolation. Plans to create economic zones for foreign investment have proceeded apace in parallel with the nuclear dispute over the past year.

But the conservative old guard fears that allowing foreign influence into the country will undermine the government. They view a nuclear programme as their chief security guarantee against absorption by the South.

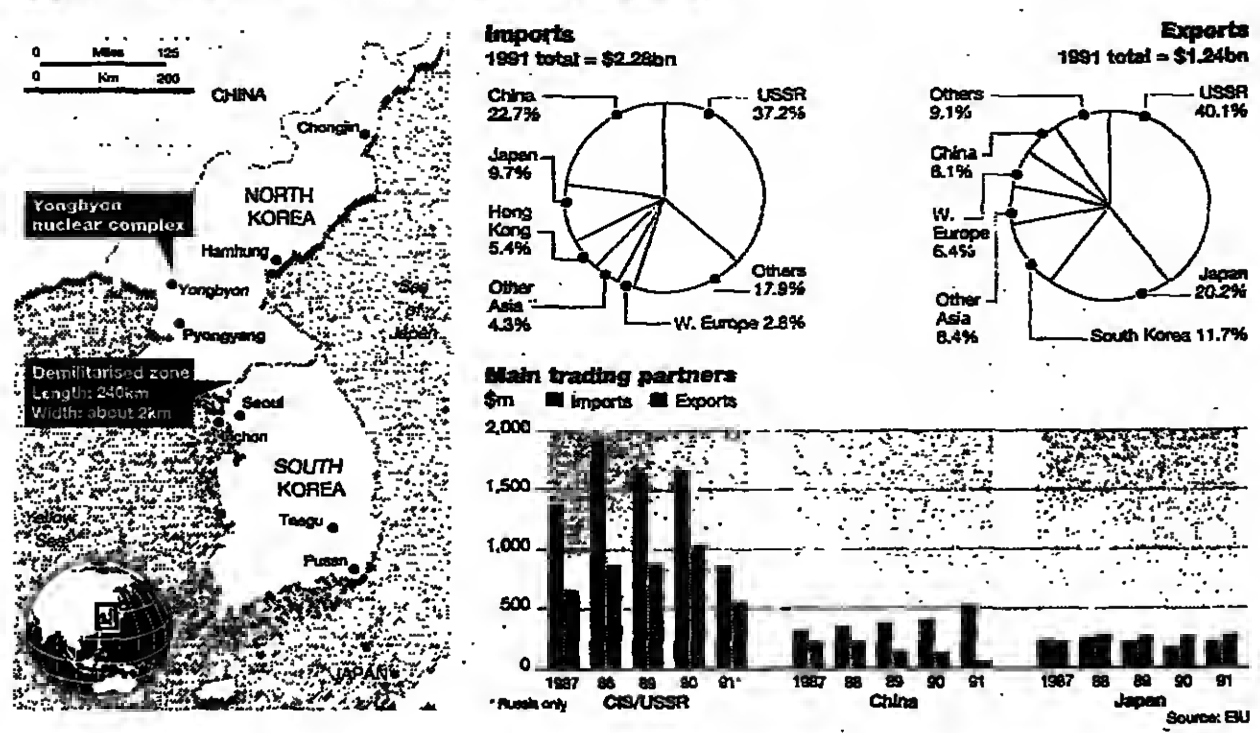
What has added to the North's frustration in reaching an agreement with the US is the involvement of South Korea in the negotiations. Seoul has insisted that Pyongyang fulfil its 1991 bilateral non-nuclear pact before the US makes significant concessions to North Korea. Washington has supported the South Korean stance.

North Korea has consistently sought to establish ties with the US and ignore South Korea's demands in an attempt to drive a wedge between Seoul and Washington. Pyongyang used a similar "divide and rule" strategy in playing off its former patrons, China and the Soviet Union, to gain concessions from both and maintain its indepeodence.

The vehemence of Mr Pak's remarks against the South Korean delegates reflects Pyongyang's belief that Seoul is trying to block a direct deal between North Korea and the US.

But government officials in Seoul believe that the North Koreans may have miscalculated this time with the "sea of fire" outburst. "Many South Koreans appeared to have been little concerned about the nuclear problem," said Mr Kim Jong-pil, the chairman of the ruling Democratic Liberal Party. "They will now have to wake up from their illusions and prepare to meet the situation quietly but firmly."

North Korea: the countries it trades with



Self-reliance may soon be put to the test

By John Burton in Seoul

President Kim Il-sung of North Korea

North Korea has preached for years that its ideology of *juche* (self-reliance) is one of the world's greatest doctrines. It may soon find that principle put to the test if the UN Security Council imposes economic sanctions for Pyongyang's refusal to allow full inspections of its nuclear facilities.

The self-sufficient nature of North Korea's economy is likely to enable it to withstand several years' sanctions. Analysts also believe sanctions would do little to stop vital food and oil supplies from China and foreign-exchange transfers from Japan.

One reasoo is that North Korea's border with north-eastern China is porous and that Chinese officials would covertly support continued trade even if Beijing would allow a sanctions resolution to pass the Security Council.

"The last thing China wants is to see North Korea collapse on its doorstep and have refugees pour across its border," said Mr Michael Breen, a North Korean analyst for Merit Communications in Seoul.

China accounts for three-fourths of the energy and food supplies imported by North Korea and is Pyongyang's largest trading partner at an estimated $860m (£577m) in 1993. Those supplies are important to bridge the shortages that North Korea suffers.

Although Japan has said it would support economic sanctions, it may have difficulty in stopping hard-currency transfers, estimated at between $600m and $1.8bn, that flow annually from Korean residents living in Japan.

"The remittances might be regarded as humanitarian aid and thus would not be subject to UN sanctions since they are given, at least theoretically, by Korean-Japanese to support their relatives in North Korea," one South Korean government official explained.

Japanese officials have expressed reservations about clamping down on funds to North Korea. They fear that stopping the money transfers would lead to terrorist acts ordered from Pyongyang and carried out by some of the estimated 260,000 pro-North Korean-Japanese.

Sanctions would stop North Korea's trade with Japan, its second largest trading partner with an estimated volume of $460m last year. Trade would cease with Russia and South Korea, North Korea's next largest trading partners, which supply oil and food products.

North Korea's arms exports, one of its biggest foreign currency earners, would also be cut off if a naval blockade was imposed. This would lead to a collapse in trade with Iran, which supplies oil in exchange for Scud missiles.

Sanctions would eventually take their toll on North Korea if they were rigidly enforced. South Koren estimates that while the North needs 6.6m tonnes of grain to feed its people, it produced only 3.88m tonnes last year due to poor weather and a lack of fertilisers. The country is also running out of anthracite coal, its main source of energy. It produced 29m tonnes last year, far short of the 52m tonnes needed to keep its factories running at full capacity.

North Korea could make up the shortfall by drawing on its war reserves of food and oil. Some analysts warn Pyongyang might fulfil its threat of war in response to sanctions, from fear its defence would be weakened if it was forced to use emergency stocks to support the economy.

Beijing fears trade sanctions on rogue regime

By Tony Walker in Shanghai

When China's Premier Li Peng hinted at the weekend the US should make some gesture towards recognising North Korea, be was repeating standard Chinese advice for easing the nuclear crisis.

But Beijing's prescription for dealing with a rogue regime appears not to be attracting much support in the west, where pressure is building for stronger UN condemnation and possible trade sanctions.

It is this latter possibility that alarms China. At this stage, it would be likely to oppose vigorously any attempt to impose economic penalties on North Korea.

The question for the US and other western powers would be whether to risk fracturing the Security Council consensus, or yielding to Chinese pressure for further diplomatic efforts to defuse the crisis.

Western officials in China believe Security Council consensus would be hard to achieve on any punitive measures. At best, Beijing may be persuaded to abstain on a resolution of condemnation. They contrast the North Korea crisis and the Gulf War of 1990-91, in which China abstained on the vote imposing sanctions against Iraq, hut fell into line on implementing them.

This time, the stakes for China are higher and the complications infinitely greater. North Korea may be seen in the west as a renegade state, hut to the Chinese, North Koreans have been allies in war, and their two countries share a common border and a fairly extensive trading relationship.

Chinese leaders may well regard recent developments in North Korea with dismay and its idiosyncratic leadership a menace to civilisation. But they seem firm in their views that confrontation carries greater risks than likely rewards.

The immediate question for western powers is whether to give quiet Chinese diplomacy further scope and possibly active encouragement, without any real hope that such an approach might work.

Chinese officials believe the west has failed to appreciate fully the depths of North Korean paranoia over its growing isolation following the collapse of the Soviet Unioo, the virtual disappearance of friends in eastern Europe, and vast changes in China, which proved a less-than-steadfast ally by normalising relations with South Korea in 1992.

These officials say Pyongyang wants to reduce its isolation, and it is prepared to make concessions to escape from its predicament; hence Beijing's advice to the US that they should try to avoid at all costs placing the North Koreans in a corner.

The Israeli security leak that could save Rabin

David Horovitz on the prime minister and the judicial inquiry into the massacre in Hebron

Until this week, few Israelis had heard of the "Territories Forum," a top-secret gathering at which Mr Yitzhak Rabin, Israel's prime minister and defence minister, hosts his most senior army and intelligence officers for discussions on all aspects of the Israeli presence in the occupied West Bank and Gaza Strip.

Now the existence of this forum has taken on tremendous importaoce: o meeting held last October may prove crucial to Mr Rabin's efforts to avoid taking personal responsibility for failing to preveot the massacre last month of Palestinian worshippers at Hebron's Cave of the Patriarchs by Jewish settler Baruch Goldstein.

On October 16 last year, the Moslem authorities in Hebron sent Mr Rabin a letter, accusing a settler they named only as "Baruch" of attackiog Moslem guards and pouring acid on Moslem prayer mats in the mosque. The Moslem authorities insist now that the "Baruch" in question was Goldstein – although they dido't know his surname at the time, they had witnesses who could have described him to Mr Rabin or any Israeli investigating official.

Mr Rabin never responded to their letter.

However, on October 22, at the defence ministry in Tel Aviv, he coovened the Territories Forum. According to an excerpt from the minutes, leaked to the Israeli media this week, Mr Rabin warned his top officers that, among West Bank settlers, were several individuals who would stop at nothing to torpedo the peace process.

The acid-pouring incident "must put us on alert", he cautioned. "I wouldn't be surprised if there were those among the Jews who don't just want to destroy prayer mats, but who will try to create a religious conflict to destroy the peace deal as well."

The aim of this extraordinary leak, from the highly-confidential discussions of a security forum, seems plain: to demoostrate that, months before Goldstein carried out the massacre, Mr Rabin had urged his commanders to take precautions against precisely such an incideot. And while, as minister of defence, Mr Rabin in theory carries ultimate responsibility for the entire Israeli military establishment, the leak seems clearly designed to exonerate him from personal blame. The guilty men, runs the implication, are the commanders in the field who failed to heed his warning.

In the immediate aftermath of the massacre, Mr Rabin at first resisted calls for the appointment of an independent commission of inquiry, fearful, it was presumed, that the finger of blame might point in his direction. He only gave in when he realised how overwhelming was the cabinet majority against him.

Now, day after day, new evidence is emerging of security blunders, imperfect precautions and unclear orders at the tomb. Low-ranking soldiers have been blatantly contradicting evidence giveo by their decorated seniors. The stench of failure is rising ever-higher. Tomorrow the commander of the army's Central Command, General Danny Yatom, is being recalled to testify again about open-fire regulations – approved late last year both by Mr Rabin and by chief of staff Ehud Barak – which some soldiers interpreted as forbidding them ever to shoot at settlers. Later tomorrow, chief of staff Barak is himself to give evidence.

Officials at the inquiry refuse to say whether Mr Rabin will also be called. But there are reports that he has instructed a lawyer attached to his office, Shmuel Hollander, to begin gathering relevant material, just in case.

Mr Rabin knows he may have cause for concern. The Kahan Commission of inquiry, which investigated the massacre in 1982 of Palestinians at Beirut's Sabra and Shatilla refugee camps, found that Ariel Sharoo should have realised Christian Phalangists were "liable to commit atrocities" against the Palestinians, and in the end forced Mr Sharoo's resignation as defence minister.

Mr Moshe Negbi, Israel's most promineot legal analyst, says that the present commission under the chairmanship of Meir Shamgar, the Supreme Court presideot, has equivalent powers to the Kahan Commission, that at some stage he believes Mr Rabin will be summooed, and that "there is a possibility" the inquiry could badly damage him.

As the army's top legal officer in the 1960s, Mr Justice Shamgar worked closely with theo-chief-of-staff Rabin. Last year, a full quarter-of-a-ceotury on, after Mr Rabin had ordered 400 alleged Islamic militants into exile, it was Mr Justice Shamgar who headed the Supreme Court panel that allowed the deportations to proceed, saving Mr Rabin from considerable embarrassment and possibly resignation.

One question is whether the commission will consider Mr Rabin's warning on October 22 to his commanders as sufficient grounds for his exoneration. After all, the inquiry has heard that the army's governing strategy in devising security precautions at the Cave of the Patriarchs was that while an attack by Arabs on Jews was quite probable, an attack by Jews on Arabs was unthinkable.

Hizbollah guerrillas yesterday killed two Israeli soldiers and two allied militiamen in a series of attacks against Israel's occupation zone in south Lebanon, Reuter reports from Marjayoun. Israeli reprisal shelling killed a 12-year-old schoolgirl and wounded 22 other schoolchildren in the market town of Nabatiyeh, witnesses said. Guerrillas firing anti-tank rockets and machine guns ambushed an Israeli army patrol in the Rihan area just inside the 15km deep zone. The pro-Iranian Hizbollah said five Israeli soldiers were killed or wounded in the ambush.

Talks consider protection for Arabs

By Mark Nicholson in Cairo

Talks continued late yesterday between Palestinian and Israeli officials about measures to protect Palestinians in the occupied territories, but Palestine Liberation Organisation officials said they expected the discussions to adjourn without a solution to the row which has stalled resumption of full peace talks between the two sides.

Mr Dennis Ross, the US Middle East peace envoy, arrived in Tunis for the second time in a week to join the talks. He described only as "useful" an early session with Mr Yassir Arafat, PLO chairman. Mr Ross is expected to continue his shuttle with stops today in Jordan and Egypt – where he will meet President Hosoi Mubarak.

However, PLO officials in Tunis said they did not expect Mr Ross to be carrying a solution to the dispute about protection of Palestinians in the occupied territories which has stalled resumption of full PLO-Israeli talks since the Hebron massacre more than three weeks ago.

The PLO has insisted that Israel must toughen its cootrol of Jewish settlers in the occupied territories and accept the UN call, made in resolution 904 last week, to install an international presence to safeguard Palestinian security in the occupied territories. The PLO leadership has said it cannot otherwise resome full peace talks with Israel.

PLO officials said the Israeli delegation in Tunis, led by Mr Uri Savir, had rejected a call to remove Jewish settlers from the centre of Hebron and had instead proposed gathering all the settlers together in Hebron as a means of increasing control over them. This suggestion was dismissed by one PLO official as "unacceptable".

PLO officials in Tunis said both sides were nevertheless exchanging ideas, hut that "nothing has crystalised yet". The officials said they did not expect the Tunis talks to continue into today. "We have a long way to go before we can resolve this," said one.

Khmer Rouge soldiers and civilian supporters flee into Thailand yesterday after Cambodian government troops captured the Khmer Rooge headquarters of Pailin. But guerrilla units still control hilltop positions around Pailin from which they can shell government forces. *Reuter*

Consulate general closed in Bombay

India-Pakistan row flares

By Stefan Wagstyl in New Delhi

Pakistan has closed its consulate general in Bombay in a move which is likely to inflame its diplomatic conflict with India.

Pakistani officials accused India of making it impossible for the consulate to function by refusing to grant Pakistan the use of Jinnah House – the Bombay home of Mohammed Ali Jinnah, Pakistan's independence leader and first governor-general.

The move follows weeks of public argument between the two countries over the troubled north Indian state of Jammu and Kashmir, part of which is claimed by Pakistan.

Pakistan earlier this mooth failed in a high-profile attempt to persuade the United Nations Human Rights Commission in Geneva to send a fact-finding mission to Kashmir. Pakistan argued that Indian security forces were committing atrocities against the mainly Moslem population of the Kashmir valley but it failed to secure sufficient support from other countries.

Diplomats in Delhi are concerned that the decision to close the Bombay consulate general, which opened only in August 1992, may start a series of damaging diplomatic actions by the government of Prime Minister Benazir Bhutto.

Indian officials, delighted with Pakistan's debacle in Geneva, are keen to prevent the "internationalisation" of the Kashmir troubles, which Delhi treats primarily as a domestic security problem.

But they also want to keep foreign countries informed of India's views on the troubles, notably that Kashmiri Moslem insurgents are supplied with arms and advisers from Pakistan.

Indian officials will have an opportunity to present their case to two US officials who are visiting India – Ms Robin Raphel, assistant secretary of state responsible for south Asia, who arrives on a four-day trip tomorrow, and Mr Strobe Talbott, deputy secretary, who is due to visit next month. Mr Talbott will go to Pakistan.

Militants shot dead in Egypt

Egyptian security forces yesterday shot dead six suspected Islamic militants in a dawn raid near the southern Egyptian town of Abu Tig, the Interior Ministry said, writes **Mark Nicholson in Cairo.**

The shootiog followed a security sweep by more than 150 security officers in search of gunmen who killed five police officers oo Sunday in the same area. One policeman died in yesterday's raid.

The incidents are the bloodiest this year in the continuing cycle of violence between security forces and Islamic militants around the Upper Egyptian town of Assiut.

Government win in Tunisia

Tunisian President Zine el-Abidine Ben Ali and his ruling party made a clean sweep in Sunday's presidential and parliamentary elections, Reuter reports. However, under an electoral code amendment, opposition parties were assured of entering parliament for the first time since independence from France in 1956, whatever the ballot's results. Mr Ben Ali, the only presidential candidate, won more than 99 per cent of votes cast.

Privatisation sale stopped in Israel

The latest stage in Israel's privatisatioo programme, the sale of Shikun U'Pituach construction company, has been cancelled by its underwriters because of fears the issue was priced too high to attract buyers in the depressed Tel Aviv Stock Exchange, writes **David Horovitz in Jerusalem.**

Tomorrow's planned sale would have been the first entirely state-owned company to be sold off and was expected to raise about Shk1bn (£226m).

Bhutto setback

The government of Prime Minister Benazir Bhutto yesterday suffered a setback when the opposition's candidate for chairman of Pakistan's upper house of parliament won by a comfortable margin, writes **Farhan Bokhari in Islamabad.**

Icelandic fishing boat seized in Atlantic

An Icelandic-owned fishing vessel is being detained by British authorities after it was apprebended for alleged illegal fishing activity in disputed waters near Rockall island – about 200 miles west of the Outer Hebrides.

The boat is understood to be Cypriot-registered with a Faroese crew. It is being held in Stornoway Harbour on Lewis in the Outer Hebrides.

The trawler, known as the Rex, was spotted by a Scottish Fisheries Protection Agency plane about 150 miles west of Rockall, wbich has been claimed as British territory since 1955.

An agency patrol boat and the Royal Navy vessel HMS Orkney escorted tbe Rex to Stornoway Harbour.

According to the Fisbery Limits Act, any unlicensed foreign vessel caugbt fisbing within 200 miles of British territory is breaking tbe law.

Ownership of Rockall, which is uninhabited, is disputed. Iceland and Denmark claimed in 1985 that Rockall and the waters around it fell witbin a "continental shelf houndary" around their countries which would give them territorial rights over the outcrop of rock but this was disputed by London.

Motoko Rich reports on the latest incident to highlight the disputed status of Rockall island – lying 200 miles off the Scottish Hebrides – and of interest to Ireland, Denmark, Iceland and the UK itself

Ireland also rejects Britain's claim to the island, whicb is no more than a few hundred square yards large.

The Foreign Office said: "As far as we are concerned it is not disputed at all."

European Union officials made no comment on Britain's claim and the United Nations said it does not take a position on disputed territory unless complaints are taken to arbitration or to tha International Court of Justice in the Hague. No claims bave been filed at the court.

The waters around the island are valuable for fishing yields and because there is strong evidence of oil about one kilometre below the island.

According to legal authorities in Stornoway, the Rex entered the 200 mile zone about 11 days ago and had "thousands of pounds" worth of fish on board.

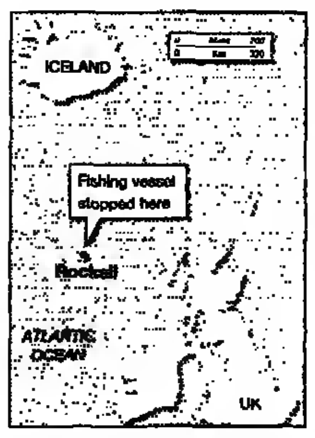
A summary complaint for violation of the Fisbery Limits Act will be served today against tbe master of the vessel in Stornoway Sheriff Court, Stornoway.

The vessel will be detained until legal proceedings are concluded and the skipper of the trawler could be liable for a fine of up to £50,000.

Icelandic authorities were not immediately available for comment.

Later last nigbt, Mr Helgi Agustsson, tbe Icelandic ambassador to Britain, said Iceland bad offered the vessel's owners help in finding legal assistance in order to meet the charges placed against them.

Iceland maintains that uninhabited rocks are not a basis for the extension of fishing limits, but the government is not planning to file a claim on Rockall with the International Court of Justice or elsewhere.



The Cyprus High Commission said they were investigating the incident as the ship is registered there hut were unable to make any further comment.

Sheffield, northern England, re-entered the age of the urban tram yesterday when its 'Supertram' made its debut on a track betweeo the city centre and the Meadowhall shopping complex. But members of tbe public were not allowed to travel on the first tram which was for invited guests only – fare-paying passengers took the return trip. Several Britisb cities are planning tram services.

London and Dublin seek united front over Ulster

By David Owen and Tim Coone

Londoo and Dublin yesterday sought to present a united front over their joint Northern Ireland peace initiative, after weekend remarks hy Mr Dick Spring, the Irish foreign minister, had raised fears of a rift between the two sides.

Senior ministers from both countries, including Mr Spring, joined forces to emphasise that there could be no negotiations with Sinn Féin, the polilical wing of the Irish Republican Army, without a permanent end to IRA violence.

Meanwhile, Sir Patrick Maybew, the Northern Ireland secretary, edged towards accepting Mr Spring's weekeod message that a temporary IRA ceasefire would be "a step in the right direction". A temporary ceasefire would be "better than violence," he said.

Their efforts came as Rev Ian Paisley, leader of the hardline Democratic Unionist party, emerged from a stormy meeting with Mr John Major to declare that June's European elections in Ulster would in effect be a referendum on the Downing Street Declaration.

The DUP leader – whose party is boycotting the political talks process coordinated by Mr Michael Ancram, the Northern Ireland minister – traditionally secures the biggest vote in European elections in the province. Three MEPs are elected on the basis of a single poll.

Mr Ancram, who atteoded yesterday's meeting, said Mr Major "took Rev Paisley to task" for misinterpreting the joint declaration on a number of occasions.

He said areas of common ground were "fairly few and far between" in the course of a "very frank" 30-minute meeting.

Downing Street officials said Mr Major told Rev Paisley and his DUP colleagues that he had a UK-wide mandate for the task of stopping the day-to-day borror in Northern Ireland.

Speaking after an hour of talks in Dublin, Mr Spring and Mr Douglas Hurd, foreign secretary, emphasised that there would be no negotiations with Sinn Féin unless there was "a clear and unequivocal renunciation of violence" by the IRA.

But Mr Spring reiterated that Dublin would seek to huild on any temporary IRA ceasefire. "We would want to convince tbose involved in a temporary ceasefire that they should go all the way," he said.

Mr Hurd used a speech in Duhlin to the Institute of European Affairs to argue that the relationship between Britain and Ireland had been transformed and was "no longer transfixed by difficulties rooted in the past."

Mr Punch may get last laugh

By Raymond Snoddy

Stories about the death of Mr Punch, a battered remnant of the traditional British sense of humour, have it seems been greatly exaggerated after all.

Two years after United Newspapers quictly interred the 150-year old bumour magazine because of its mounting losses Mr Punch is showing signs of life again.

Mr Gary Smith, chief executive of Winchester, the merchandising company which owns the worldwide rights to the cartoon series Love Is .... is believed to be, together with cartoonist Mr Bill Tidy, in advanced negotiations with United.

The assets not only include the title hut a library containing hound volumes of every issue of the magazine, more than 2,000 original cartoons and the lunch table where the very famous were encouraged to carve their names. Many of the cartoons are still in demand for use in other publications. Mr Smith said yesterday :"We never comment on market rumours."

During its long history Puncb rejected all the submissions of Charles Dickens hut encouraged the work of P.G. Wodehouse.

The recent bistory of the magazine has been one of sad decline. From a peak of about 175,000 in the 1940s it fell helow 100,000 in 1976 and reacbed an average of only 33,000 in 1991.

The magazine suffered from a reputation of being a dentists waiting room publication and from growing competition from sbarper-edged publications such as Private Eye.

The Britisb sense of bumour may also have changed.

Britain in brief

£2.2bn spent on foreign acquisitions

UK companies spent £2.2bn on acquisitions of overseas companies in the fourth quarter of 1993, according to figures published by the Central Statistical Office yesterday. Over 1993 as a whole, expenditure on overseas acquisitioos was £9.3bn, compared with £7.2bn in 1992.

While tbe value of transactions increased in 1993, the number of individual deals fell to 452, from 679 in 1992. The CSO said that US acquisitions accounted for 53 per cent of the total value of deals done during the year, compared with 29 per cent in 1992.

Expenditure on UK acquisitions hy overseas companies rose to £4.7bn, from £4.1bn in 1992.

Trade union bank results

Unity Trust, Britain's trade union bank, suffered a drop in the size of its retained profit to £104,000 in 1993, it announced yesterday in its tenth year of operation.

This compared with a £364,000 retained profit in 1992 and was due to the hank's bad deht provision.

The bank's operating profit before bad deht provision and taxation was £2.3m last year compared with £1.7m in 1992. Its operating income rose to £7.18m last year from £6.08m in 1992.

Last year the bank wrote off £5.72m of bad debt against earlier provisions.

"None of these provisions arose from loans to our trade union customers," said Mr Gordon Beesley, the bank's managing director yesterday. He blamed the decrease in property values in respect of security offered by the bank's corporate customers.

Biggest union to keep fund

The Transport and General Workers Union, the largest union affiliated to the Labour Party, is today expected to announce an emphatic vote in favour of retaining a political fund, whicb allows it to finance political activities.

Following legislation in the early 1980s all unions with political funds have to ballot every 10 years on whether to keep them. Almost all unions won endorsement for their political funds in the first round of elections and several estahlished them for the first time.

In this second round of elections, most of which will have to be completed hy the end of next year, two unions – the AEEU craft union and the STE telelcommunications union – bave both voted overwhelmingly to keep their funds.

One mile and no more . . .

A new car with just one mile on tbe clock when it left a showroom was written-off just three hours later. The gleaming hlue Rover 214 was left perched on top of a stone wall near Macclesfield, Cheshire, central England, after it was involved in a smash with a lorry. The car spun off tbe road and landed on the wall, leaving the driver with serious sboulder injuries and the passenger witb a broken wrist.

27 arrests over motorway link

Police arrested 27 people yesterday after protesters opposed to the building of a motorway link road forced their way into one of the houses on the proposed ronte.

Security staff guarding the bouse in Leytonstone, in the suburbs of east London, raised the alarm after the protesters, wbo are campaigning against the M11 extension through the area, arrived sbortly before midnight. Those arrested were later released on police bail.

BBC World TV in Asia deal

BBC World Service Television's broadcasts from London to northern Asia will cease in a month's time after a deal was signed yesterday between the Corporation and Mr Rupert Murdoch's Naws Corporation.

Under the deal the BBC will give up its broadcasts to north eastern China, Hong Kong, Taiwan, Korea and Mongolia on the northern beam of the Star TV satellite system from April 17.

In return, Mr Boh Phillis, BBC deputy director general and chairman of World Service Television, has negotiated a contract extension to preserve hroadcasts to India, Bangladesh and Pakistan.

Both the BBC and News Corp had the right to terminate the Star contract by the end of this year and Mr Murdoch, who bought control of Star last year, made it clear he wanted the BBC off the system.

Smaller trade deficit hides trend in volumes

By Philip Coggan, Economics Correspondent

The UK's visible trade deficit with non-European Union countries narrowed to £672m in February, from a revised £788m in January. But the improvement disguised a continued deterioration in trade volumes.

Over the three months to February, the volume of UK imports (excluding oil and erratic items, such as aircraft and precious stones) was 3.5 per cent higher than in the previous three months, while exports rose by only 2 per cent.

Import volumes in February were the highest ever recorded. The Central Statistical Office estimates that, on a trend basis, import volumes are rising by 1 per cent a month, while exports are broadly unchanged.

The deterioration in volume terms has been disguised by an improvement in the terms of trade. British exporters have been increasing their prices, while import prices have been falling. Over the three months to February, export prices were 7 per cent higher than in the same three months a year ago, while import prices were 1.5 per cent lower.

The main reason for the improvement in the headline figure in February was the oil balance, which improved to a surplus of £14m, from a deficit of £75m in January. If oil and erratics are excluded, the trade deficit actually widened to £673m in February, from £612m in January. In the three months to February, the deficit, excluding oil and erratics, was £1.76bn, compared with £1.71bn in the previous three months.

One encouraging trend is that, according to the CSO, imports of intermediate and capital goods increased in the three months to February, while imports of consumer goods, excluding cars, fell. This suggests that the rise in imports is due to manufacturers expanding capacity and not a consumer boom sucking in imports.

Mr Kevin Gardiner, UK economist at Morgan Stanley, said the outlook for exports was relatively bright, as world trade grows and Britain remains competitive.

Figures for trade outside the EU are compiled separately, and published earlier, than those for trade with Britain's EU partners.

The EU figures for December were published earlier this month and showed a sharp deterioration, with a deficit rising to £903m, from £543m in November. The EU figures are compiled under a new Intrastat system, based on value added tax, and the statistics are regarded as unreliable.

● Consumer confidence continues to decline as April's tax rises approach and is now at a four-year low, according to a new poll, adds Graham Bowley.

In its March survey of consumer confidence, Gallup found that 42 per cent of people think their household's financial position will deteriorate over the next 12 months, whereas only 17 per cent think it will improve. The balance of pessimists over optimists has now fallen for two successive months and is the worst since April 1990.

While 23 per cent of consumers think the general economic situation will improve over the next 12 months, 40 per cent say it will deteriorate. The negative balance of 17 per cent is the lowest since February 1993.

The balance of people expecting a rise in the jobless number over those expecting a decline in the next twelve months is 44 per cent, up from 33 per cent in February.

The survey of 2,029 people was conducted by Gallup on behalf of the European Commission between March 3 and 15 1994.

Farmers show a high rate of suicide

By Alison Maitland

Stress, loneliness and depression are rife in Britain's rural communities and farmers have one of the highest suicide rates of any occupational group, a conference in Warwickshire heard yesterday.

The suicide rate among male farmers and farm workers, is 187 per million, nearly twice the national average of 110 per million. Some 39 per cent of these suicide victims use shotguns or other firearms, easily available on the farm. Only vets, who often share the rural isolation and have access to drugs, have a markedly higher level of suicides.

"Farmers are up there with vets, dentists and pharmacists as the groups having the highest suicide rates," said a spokeswoman for the National Farmers' Union.

The conference on rural stress, organised by a coalition including the NFU, the Department of Health, the Ministry of Agriculture and the Samaritans, heard that the causes included poor rural services, long working hours, unpredictable weather and a sense of having little control over the future of the farming business.

The decline of agriculture has already cut the farming workforce by more than half to 622,000 in the past two decades. People are leaving the land at an average of about 6,000 a year, putting added pressure on those who remain.

Now the industry faces further change, with the reform of the Common Agricultural Policy and the conclusion of a world trade deal likely to lead to more production cuts and greater rural unemployment.

The Department of Health is funding a two-year research project by Oxford University to look at the causes of rural stress and how it might be eased. Health professionals will be encouraged to learn more about problems facing farming so they can discuss these when they detect signs of stress.

Café society: Dino Carpanini's Tonypandy cafe is one of the few with a prosperous future and an willing heir

Cappuccinos run dry in the valleys of South Wales

By Jim Kelly

One of Europe's more bizarre cultural hiccups gave the grim industrial valleys of South Wales a sprinkling of small Italian cafés. The Bracchis, as they were called after the founding family, sold espressos and hot pies to the boom towns of coal.

But today they are in decline. From a peak of 70 in Pontypridd and the Rhondda Valley, they have fallen to about 15, as the forces of recession and cultural change wipe them from the landscape. "They came with coal and they are going with coal," says author Colin Hughes, whose book *Lime, Lemon and Sarsaparilla*, chronicles their story.

A century ago, immigrants came to Wales from Bardi, in northern Italy, fleeing rural poverty. Mr Hughes has traced the immigrants to London, as early as the 1840s, where they worked as organ grinders. Later they transferred the same employment unit, of adult and working boy, to the newly founded Welsh cafes.

Their integration into the host community was remarkably good - says Mr Hughes - because the *Bardigiani* would sit and talk with their customers, earning their trust and friendship.

The first and second generations were happy to work in the cafés, but members of the third are moving on to professional careers. Guiseppe Antoniazzi, whose cafe is in Caerphilly, wants to retire. "It is time to put down tools and enjoy myself," he says. His premises will be let, as his sons are pursuing careers such as accountancy.

Shipyard promises sought

By Chris Tighe in Newcastle

The French-owned company hoping to buy Swan Hunter, the Tyneside shipbuilder in receivership, said yesterday it would not bid for the company unless it received immediate firm assurances about the Ministry of Defence's future policy on awarding naval contracts.

Constructions Mécaniques de Normandie said it wanted written confirmation, preferably from defence procurement minister Mr Jonathan Aitken, that if it bought Swan Hunter:

● It would be allowed to tender for future MoD contracts;

● Its tenders, provided they were competitive, would be given equal consideration to those from rival UK yards;

● The MoD's Defence Export Services Organisation would support it in the export field.

CMN is the only company so far to confirm it intends bidding for Swan Hunter, in receivership since last May. March 24 is the MoD's deadline for tenders for the Sir Bedivere refit, a contract worth around £30m. While in receivership Swans cannot win unless its tender is underwritten by a prospective purchaser. A bid for Swans from CMN or any other company is likely to be conditional on winning Sir Bedivere.

Mr Fred Henderson, leader of the CMN bid, said that despite receiving "lots of verbal come-on" during months of talks with the MoD, CMN had not received categorical assurances on future policy.

Unless obtained in writing by tomorrow CMN would not bid for Swan Hunter and would not underwrite its Sir Bedivere tender.

"There's no point making a final bid for the yard unless we get these assurances," he said.

The MoD said it had no objection to Swans in foreign ownership bidding for MoD work provided it was on a sound financial footing, could comply with national security arrangements and guarantee any MoD work would be done in the UK. "The situation is quite clear," it said.

Receivers finish Leyland Daf sale

By Kevin Done, Motor Industry Correspondent

The administrative receivers yesterday completed the sale of the final part of Leyland Daf, the former UK subsidiary of Daf, the Dutch commercial vehicle maker, which collapsed 14 months ago with debts of more than Fl 3bn (£1.1bn).

It is understood that the receivers have raised around £110m net from the sale of the various Leyland Daf businesses, but it is unlikely that there will be any payment to ordinary creditors.

After the payment of preferred creditors, the Daf bank consortium led by ABN-Amro of the Netherlands which includes National Westminster, Lloyds and Barclays is expected to receive around £100m.

The administrative receivers Mr John Talbot and Mr Murdoch McKillop of Arthur Andersen have succeeded in securing the survival of all the elements of the former Leyland Daf business by splitting it up into more than 10 independent units. Around 2,760 jobs have been saved from the 5,300 people employed by Leyland Daf in the UK.

The final piece of the jigsaw was completed yesterday, when the former Leyland Daf test track and technical centre at Leyland, Lancashire was sold to a combined management buy-out and buy-in team.

The first breakthough in the UK receivership was achieved in late April last year when the receivers sold the former Leyland Daf van operations based in Birmingham to a management buy-out team, a move that saved around 1,000 jobs.

The key to the viability of the rest of the UK operations was the early rescue last year by the Dutch and Flemish governments of the former Daf heavy truck operations in the Netherlands and Belgium, which are now trading as Daf Trucks. This company is the main customer for the Lancashire-based Leyland Trucks, which was sold to a management buy-out team in June last year. Leyland Trucks, with a workforce of 650, sells its Leyland Daf 45 series of light trucks, through the Daf Trucks European dealer network.

The receivers created separate rescues for:

● the former Leyland Daf spare parts sales and distribution business in Chorley, Lancashire with 350 jobs, which is now trading as Multipart Distribution.

● the components manufacturing businesses in Glasgow and Leyland now trading as Albion Automotive.

● the six African subsidiaries sold to local African businesses.

● the sale of the engine reconditioning plant in Lancashire to British Polar Engines.

ALL OF US,
AT EURO DISNEYLAND,
ARE HAPPY
TO ANNOUNCE...

TECHNOLOGY

Smart move on fraud

Smart cards, with chips rather than magnetic strips in the plastic, have yet to make moch of a mark outside Europe, but China and India are giving them a close look as ways of checking identities and preventing fraud.

Sempac, a small Swiss company, hopes to benefit from trends in both markets, as well as in Japan where smart cards are being considered as a replacement for magnetic cards in making telephone calls.

Based on the methods developed by Esec, its parent, to make semicondnctor eqnlpmeot, Sempac prodnces a line of machines which have iotroduced a new technology ioto smart card manufacture. Its process enables cards to be printed and have cbips embedded in ooe step.

Willi Truckenbrod, Sempac's vice-president for marketing, says manufacturing costs can be cut by np to 50 per cent. This is because its system uses four machines instead of the eight or more in other techniques, though the Sempac output of 700 or more cards an hour is less than in rival systems.

The main technologies used for smart cards are: the lamination of several layers, with the chip module then placed into cavities; processing of cards in large sheets with the cavities milled into the card; and cards with pre-moulded cavities. Sempac's process uses semicondnctor assembly technology with injection moulding machinery.

Truckenbrod says some 300m smart cards are now produced a year, which is expected to rise rapidly to 1bn, mainly in Europe. Its customers include Rexroth Electronic of Germany, which has ordered an assembly line to make forgery-proof cards in which colour photographs and computerised data are printed on to the plastic.

Sempac has held talks with the Chinese who are thinking off issuing smart identity cards to Hong Kong inhabitants when they take over there in 1997.

Andrew Fisher

Gold rush

Matthew Curtin reports on advances in mining which may transform productivity

The West Driefontein gold mine at Gatsrand, west of Johannesburg

Glyn Genin

Technology has come to the aid of the volatile South African gold mining industry more than once over the past century. Today, new advances are being sought to transform productivity as companies recover from a crisis which brought many mines to the brink of closure.

Executives are still nervous at memories of the early 1990s, when a combination of steadily declining real gold prices, double-digit inflation and the deteriorating quality of the ore reserves sent the industry into a spiral.

In the event, only two big gold mines closed. Soutb African gold output steadied above 600 tonnes a year from the late 1980s, but cost-containment and improved productivity meant the mines shed more than 150,000 jobs or nearly a third of their workforce between 1989 and 1993.

Yet successful as this restructuring of the industry has been, the mines need technological advances or consistently higher gold prices of at least $450 an ounce – compared with around $385 today – if gold production is not to go into slow but steady decline.

The problem is, says Kobus Olivier, chief consulting engineer at the Gencor group's gold division, that a hreakthrough which would transform the mines' productivity underground has proved elusive.

However, two new techniques are now in sight, generating more excitement about the technological possibilities than there bas been for years, he adds. The techniques are: diamond wire cutting pioneered by Gencor and Anglo American, the country's biggest gold producer; and the impact ripper, an industry research project recently taken over by mining house Gold Fields.

The first simply applies the established method of quarrying granite and other hard stones to underground mining. A synthetic-covered steel cable less than a centimetre thick and studded with industrial diamonds saws through the rockface, cutting away the ore in large cbunks. The impact ripper is an bydraulically powered chisel, mounted on rails, which attacks the rockface witb an accuracy that blasting lacks.

Olivier says the potential benefits are buge because either technique could transform the cost structure of the industry and underground productivity. Diamond wire cutters can operate 24 bours a day, require less labour and minimise the amount of waste rock mined. Diamond wire is expensive – the first material Gencor ordered cost R1,000 ($290) a metre – but greater demand would reduce its cost and eliminate mucb of the need for explosives used for the 900,000 blasts tbe gold mines make every day.

Ken Dix, general manager of Anglo American's Freegold operation, which is using diamond wire cutters on a trial basis, says the technique would lead to the redesign of underground mining plans and thus save more tunnelling, timber and explosive costs and shave 60 per cent off transport costs.

Underground safety would improve, too, bringing new efficiencies, because the narrower stope-widths and minimal use of explosives would do less to aggravate the rock pressure underground. Rockfalls kill about 270 workers a year underground on the gold mines.

Much the same benefits apply to the impact ripper. Len Gibbs, consulting engineer at Gold Fields which has a number of machines operating at its Kloof mine, says: "The possibilities have to be exciting. The deeper you go, the more you need mechanised mining methods and less reliance on manpower."

This has been true since tbe early days of gold mining; the geological challenges of extracting the precious metal at deeper and more dangerous levels have forced producers to refine tbeir techniques. Mucb gold output now comes from mines sunk to below sea-level or more than 3,000 metres underground.

The MacArthur Forrest cyanide process saved the South African gold mining industry when it was introduced in 1890 at the Salisbury mine near the mining camp of Johanneshnrg. Existing mercury-based techniques, adequate for recovering gold from surface ore, were no good for treating metallurgically difficult underground material which the mines had to exploit because they had exhausted surface reef outcrops. Gold recovery rates had fallen to less than 50 per cent, but to the surprise of miners at the time the new process quickly achieved recoveries of 85-95 per cent.

Yet impressive as the refinements made over the years have been, metallurgical and mechanical mining technology has not changed for decades. The cyanidisation process has been modified to push recovery grades to more than 99 per cent, allowing the retreatment of millions of tonnes of low-grade waste material in recent years, but leaving little room for improvement.

The labour-intensive underground production routine of drilling holes in the rockface, filling them with explosives, blasting once a day and cleaning up the broken rock before hoisting it to the surface, is the same as it was 100 years ago.

South Africa's remaining gold reserves are hnge, well-defined, but deep. Exploration has identified extensive high-grade ore reserves in the Potchefstroom Gap, an area south-west of Johannesburg, but at depths of up to 5,000 metres below surface. The capital cost of a sinking a new mine shaft to that depth would be more than R2.5bn.

Despite the excitement about the new metbods, tbere have been teething problems. Gencor gave up its experiment with diamond wire cutting last year. Olivier says the group "knows it works", but found the wire tended to get pinched as the rockface closed once it had been cut. Gencor seems happy to wait and see what progress Anglo can make, given that the group's mining equipment and industrial diamond businesses have a keen interest in the technology's success.

Dix points to tbe excessive wear and tear on expensive equipment, but stresses that "it's early days". Gold Fields has found that the first orebody on which it tried tbe impact ripper proved more susceptible to the technique than the orebody at Kloof where the equipment would most likely be used.

However, Olivier says the problems are unlikely to be insurmountable. He adds that while one technique might not transform gold mining, a combination of the new technologies witb furtber refinements still promises the breakthrough for which the miners are yearning.

Keeping a sense of balance

Ian Rodger on a treatment that could prolong the life of tyres

A start-up Swiss company has developed a polymer compound that provides continuously adjusted balancing for the life of a vehicle tyre wben applied to its inside wall.

Everbalance, led by Swedish entrepreneur Bertil Carnehammar, claims its compound lengthens significantly the life of tyres and provides a more comfortable ride for passengers than tyres balanced with conventional lead weights.

So far, testing of the compound has been concentrated on commercial vehicles, but it is now being extended to cars.

The development is based on the discovery that vibrations caused by imbalances in the tyre and rim of a vehicle will cause a liquid within the tyre to move away from the source of the vibration.

Carnehammar, a former marketing executive with Philips and Rank Xerox, says be and his colleagues learned of this phenomenon by reading patent applications for compounds designed to seal tyre punctures.

The origin of their own research was, in fact, a tyre sealant compound that had been developed by a Danish scientist for Volvo in the early 1980s.

However, they soon became disenchanted with the notion of sealing and concentrated on balancing. The challenge was to develop a compound that had the properties of a liquid but would also adhere all around the inside wall of the tyre when the vehicle was stationary. It also had to be viscous in all climates, nontoxic, noncorrosive and effective on several types and sizes of tyre.

By 1988, they were sufficiently satisfied to begin road tests with a few US fleet operators. "The reception was very good, but people did not come back," Carnehammar recalls.

It seems that customers were nervous about putting a chemical compound in their tyres. Also, tyre manufacturers threatened to invalidate warranties.

This forced Everbalance into new research and testing to prove that the compound would have no ill effects on tyres. This has now been completed, and the group, with endorsements from recognised German and US testing organisations, is starting general distribution.

The compound, which is made mainly from non-toxic glycol, cellulose fibres and corrosion inhibitors, sells for about $25 per kilogram, onough for one truck tyre.

Carnehammar says the increase in tyre life varies with brands and witb vehicle types, but 20 per cent is typical. It will not work on tyres that are more than 500g out of radial balance nor on tyres with a significant lateral imbalance.

The increase in tyre life varies with tyre brands and with different vehicle types, but can be as much as 100 per cent

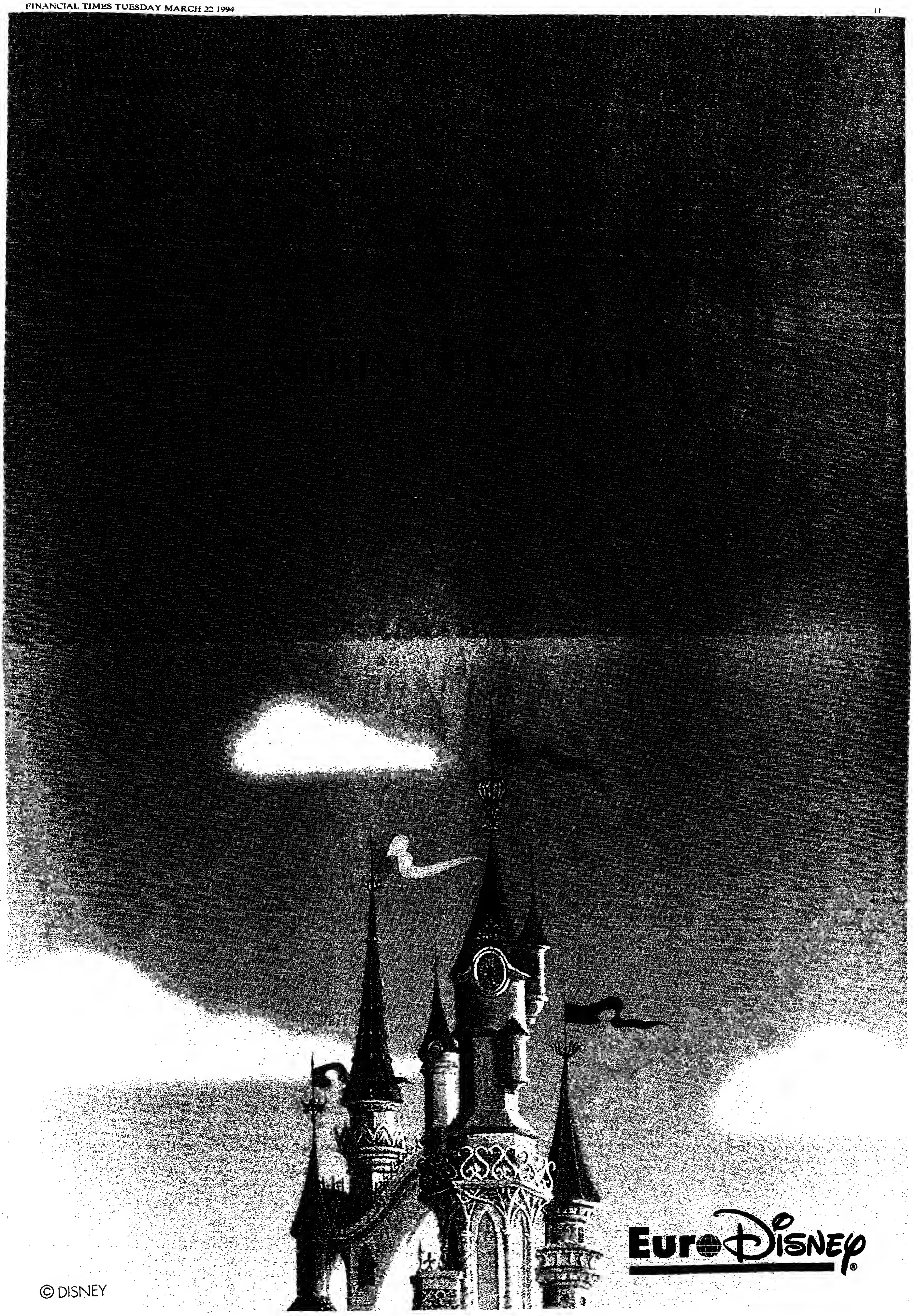
One of the main distributors is Sumitomo Corporation, the Japanese trading company at the centre of a group that includes tyre-maker Sumitomo Rubber.

Carnehammar says that tyre companies, still reeling from the reduction in their sales caused by the universal adoption of long-lasting radial tyres, are unhappy about the introduction of a product that will make their tyres last still longer.

But Sumitomo concluded that the compound would be successful and saw it as an opportunity to build market share.

Everbalance hopes to introduce a balancing compound for cars next year, but development has proved complicated. Whereas the normal life of a truck tyre is a year or less, car tyres tend to remain in service longer, so the product's endurance must be ensured. And it must be tested on a much wider range of tyres, some 200 compared with 30 truck tyre types.

Also, tbe existing formula does not perform well at speeds of above 100mph, although that would seem to be a problem only in Germany.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MANAGEMENT: THE GROWING BUSINESS

EXPORTING

Twists and turns of the tax maze

Ian Hamilton Fazey answers questions on VAT

There are two types of foreign trade as far as European VAT authorities are concerned – trade within the European single market and "third country" trade with the rest of the world. The following answers to common questions have been compiled with the help of UK Customs and Excise officers, notably Barry Price, a VAT specialist since 1972.

Q: Are exports free of VAT?
A: Third country trade is zero rated, provided you can prove goods have been exported. Export evidence must be obtained within one month and retained to justify zero rating, otherwise VAT will be charged at standard rate. Documents must identify the exporter, the customer, the goods and the export destination. Vague descriptions are not acceptable.

Q: Which documents will be accepted by VAT inspectors?
A: Authenticated bills for air or sea carriage, as well as standard International consignment notes or bills of lading – receipts of goods placed on board a ship – are all considered primary evidence of export. Secondary evidence – such as a certificate of shipment – is also acceptable if issued by a carrier, but the carrier must hold the necessary primary evidence so it can be traced if verification is required.

Q: What if a company sells to a foreign customer but does not ship the goods itself or appoint the carrier?
A: This sort of indirect exporting happens commonly when a customer arranges collection of goods direct from the factory or warehouse. The exporting company needs something to prove the goods have arrived at the other end, such as transit documentation and receipts.

Customs officers advise taking a deposit equal to the amount of VAT, returnable when satisfactory proof of export is obtained. This gives the customer an incentive not to forget to send the evidence.

Q: Is trade between European Union countries also zero rated?
A: Zero rating is allowed, provided supply is made in the UK to a person or company in another EU country registered for VAT there. The exporter must obtain the local VAT registration number of the customer, show it on the sales invoice and keep copies. Evidence of removal of goods from the UK must also be obtained and retained. If these conditions cannot be met, then VAT must be charged to other EU customers at the UK rate.

Q: Do you need to register for VAT in EU countries where you trade?
A: It depends on where the supply of goods is deemed by the local VAT authorities to have taken place. If you have a warehouse in another EU country, transfer of your own goods to it will be deemed a supply and you will need to be registered in that country so as to zero rate the consignment in the UK – otherwise you will have to charge yourself VAT. Goods offered on sale or return terms are treated similarly.

Another pitfall is the VAT-registration threshold in any EU country where you trade. This was raised to an annual turnover of £45,000 in the UK last November in order to take tens of thousands of small businesses out of having to account for VAT at all. But the threshold is zero in Belgium, Italy, the Netherlands and Spain.

Technically, this means you cannot legally, say, take a stand at an exhibition or trade fair in any of these countries and sell the actual goods displayed on it, as many companies have done in the past to save transporting the goods home afterwards. You cannot sell the stand either, as some companies have done to help pay for going to the trade fair in the first place. You can, of course, take orders to supply the goods from the UK, even if they are the same goods you had on exhibition.

Q: Does the type of goods being exported make any difference?
A: Supply of anything that has to be installed or assembled by the vendor takes place in the EU country where this work is done, so local registration may be necessary. The UK has simplified procedures so this will not require registration of companies selling such items into the UK, but there is not yet universal reciprocity on this. Customs and Excise advises exporters to contact the fiscal authorities in other countries to find out if registration is necessary.

Q: So what if I have to register? Is it going to cause problems?
A: Not if you have the language skills and knowledge of local accounting terms and systems to fill in another set of quarterly VAT returns in Dutch, French, Italian, Spanish or whatever. In practice, exporters without the necessary administrative infrastructure in the country concerned use local fiscal agents – some countries may require this anyway. Some large firms of accountants with offices spread throughout the EU offer this as a service to UK clients. Charges vary individually, but will almost certainly not be economic without a volume of regular business to make them worthwhile.

This in turn brings us back to a central theme in this series on exporting: as the Institute of Export advises consistently, do not do it on a one-off, intermittent, sporadic or casual basis. Ian Campbell, the institute's director-general, never tires of stressing that exporting should always be part of the main thrust of a business, not a bolt-on function. The regular exporter should have the sales volume to pay for and cope with any administrative burdens, such as VAT, which foreign trade brings with it.

Trevor Humphries

Bob Knox: "One is always a little bit worried about a long-term partnership"

Wanted: a more gentlemanly style

Engineering "subbies" still have an uneasy relationship with their larger customers, writes **Andrew Baxter**

"They want better standards and improved quality, which we deliver, but then won't pay higher prices to meet the extra costs. So we lose out."

The complaint comes from one of 50 small engineering companies, mostly subcontractors, surveyed recently for the 600 Group, the UK machine tool producer. It shows that, in a world of partnerships, preferred suppliers, long-term deals and single sourcing, the relationship between the humble "subbies" and their larger customers can still be an edgy one.

There are thousands of subcontractors in the UK and they tend to keep a low profile. The changing nature of their role, however, has increased their importance, and made it all the more crucial that they can work effectively with their customers without feeling they are being put upon.

The traditional role of subcontractors, to provide extra capacity for manufacturers at peak demand, has virtually gone; instead, they have become a vital part of industry's manufacturing strategy as customers prefer to concentrate their own efforts on activities where they can add value and outsource as much as possible of everything else.

This makes a great deal of sense, says Andy Sandford, editor of Subcon magazine. The customer gets a predictable supply and total flexibility, and does not have to invest in new machinery which may be under-utilised. The subcontractor, meanwhile, becomes a manufacturing specialist, spreading the cost of expensive but efficient manufacture over a number of contracts.

The new approach is already quite sophisticated, and subcontractors have responded well to the challenge of, for example, supplying an automotive sub-assembly rather than a simple part, or adding more value to a component. That could involve, for example, sending out a machined part to be electroplated before delivering it to a customer.

As its role develops, the engineering subcontracting industry is also becoming better at getting its message across to potential customers. More than 500 "subbies" will be showing what they can offer at the Subcon'94 exhibition at Birmingham's National Exhibition Centre from April 11-15.

But many believe that, behind the rhetoric of supplier development programmes and long-term partnerships, there is still some way to go before an ideal level of trust between both sides of the industry is achieved.

"Things are moving in the right direction," says Bob Knox, managing director of Luton-based Stanbridge Precision Turned Parts, "but one is always a little bit worried about a long-term partnership. What happens if someone comes along and offers to cut the price for the customer by ½p on each part?"

The problem of lack of trust was highlighted last month in a report by Professor Richard Lamming of Bath University School of Management for the Department of Trade and Industry and the Society of Motor Manufacturers and Traders. The necessary levels of trust are not present in the motor industry for "lean supply" and consequently comprehensive lean production – to become a reality, he says.

Sandford agrees that the automotive industry has had a reputation for being ruthless with its suppliers, whereas partnerships in the aerospace industry are more established. Overall, he says, when there is trust in a partnership it works well, but when the relationship is poor it can be unfair on the supplier. "The supplier must be able to invest and make a reasonable profit, otherwise when the next contract comes up it will lose out on cost," he says.

One potential problem area is abuse of the open-book costing system, where subcontractors – but not, usually, their customers – reveal all their costings and profit margins. "If the books show the subcontractor is making a 5-6 per cent profit margin and the customer says, 'We think you should only be making 2 per cent and investing in new equipment,' that's when the problems start," says Sandford.

Fortunately for the subcontractors, many customers realise they would be harming themselves by ending a long-term relationship simply because a rival supplier offered a slightly better deal, as the relationships are becoming deeper and thus less easy to end.

Companies such as Stanbridge, meanwhile, are developing their own expertise to ensure that they can retain their long-term customers and win new ones. The survey for the 600 Group pointed to the need for "subbies" to invest in high-quality equipment. "A state-of-the art facility pulls a lot of weight. Customers like to see progress being made improving efficiency," says Edward Kydd, managing director of Gatehouse Industrial Services, based in Mildenhall, Suffolk.

Gatehouse, which makes sheet metal parts for the electronics, furniture and office equipment industries, has just spent about £250,000 on new equipment, which has led efficiency to rocket, says Kydd. Then there is the need for proof of quality manufacturing. Kydd is awaiting accreditation under British Standard 5750, and says that with 75 per cent of his customers having achieved the quality assurance standard already, Gatehouse needs it to maintain its position.

At Stanbridge, Knox says the company's commitment to quality over the past five years, symbolised by its achievement in 1991 of Ford's highly demanding Q1 assessment, has helped it win extra business.

Sometimes, the commitment to quality leads to increased costs that cannot be passed on to the customer. But the "subbies" are also forming their own long-term relationships with their suppliers, for example of raw materials, so that costs and benefits can be balanced.

Kydd sees this as a return to a "more gentlemanly" way of doing things, echoing a call from one of the companies quoted in the report for the 600 Group: "We're all in this together and should work together more to weather the storm."

BUSINESSES FOR SALE

INVITATION FOR THE HIGHEST BID
FOR THE PURCHASE OF THE GROUPS OF ASSETS OF MINAIDIS-FOTIADIS WOOL INDUSTRY S.A., OF ATHENS, GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities of 1 Skoulenion Str., Athens, Greece, in its capacity as Liquidator of MINIAIDIS FOTIAOIS WOOL INDUSTRY S.A., a company with its registered office in Athens, Greece, (the Company), presently under special liquidation according to the provisions of Section 46a of Law 1892/1990, (as supplemented by article 14 of Law 2000/1991),

announces a call for tenders

for the purchase of any or all of the groups of assets mentioned below.

BRIEF INFORMATION

The Company was established in 1943 and was in operation until 1988, when it was declared bankrupt. On 21-5-1989, b was placed onder special liquidation according to article 7 of Law 1386/83 and on 15-2-1994 under special liquidation according to the provisions of section 46a of Law 1892/90, as supplemented by article 14 of Law 2000/91. Its activities included the manufacturing, *selling and export of wool and blended fabrics.*

GROUPS OF ASSETS OFFERED FOR SALE

1. A spinning and weaving mill in the Athens area (surrounded by lakovaton St. N. Ionia Avenue S. Vizantion St. D. Ralli), consisting of several buildings, covering an area of 10.438 sq. m., standing on a plot of approximately 6.100 sq. m. and containing machinery, mechanical equipment and a limited amount of stock in trade. The company's registered name is also being offered for sale, although as well as other assets, excluding such claims as have been assigned to third parties.
2. A plot of land of *approximately* 617 sq. m. *located beyond the city planning area*, in the region of *Koutsouko* on the island of Salamina.
3. A plot of land of approximately 705 sq. m., located in the same area as the previous one.
4. A plot of land of approximately 457 sq. m., located beyond the city area, in the region of Aliki on the island of Salamina.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memoranda in respect of the Company and its assets thereof upon signing n *confidentiality agreement.*

TERMS AND CONDITIONS OF THE AUCTIONS

1. The Auctions shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth berein and the "Terms and Conditions of Sale" contained in the Offering Memoranda. Such provisions and other terms and conditions shall npply irrespective of whether they are meotioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed nt a later stage shall be accepted under the condition that express mention is made in this respect upon submission and that the offeror shall give n personal guarantee in favour of such third party.
2. ***Binding Offers:*** Interested parties are bereby invited to submit binding offers, not later than 14th April 1994, at 11.00 am hours, to the Athens Notary Public Mrs Ioanna Gavrielli-Anagnostalaki, at the following address: 18, Fidiou Str. Athens. Tel: +30-1-361.97.28, Fax: +30-1-362.51.91. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate if any). In the event of not specifying a) the way of payment, b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) *the interest rate shall be the legal rate in force (presently 32% yearly).* Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. ***Letters of Guarantee:*** Binding offers must be accompanied by a Letter of Guarantee, issued, in accordance with the draft Letter of Guarantee contained in the Offering Memoranda, by n bank legally operating in Greece, to remain valid until the adjudication. The amounts of the Letters of Guarantee must be as follows: (n) for the cotton spinning and weaving mill in Athens area (1st Auction): Drs. 80,000,000. - (EIGHTY MILLION), (b) for the plot of land in Koutsouko (2nd Auction): Drs. 500.000. - (FIVE HUNDRED THOUSAND), (c) for the plot in the same Region (3rd Auction): Drs. 500.000. - (FIVE HUNDRED THOUSAND).

   Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. ***Submissions:*** Binding offers together with the Letter of Guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed (successively as mentioned above, ie 1st Auction, 2nd Auction etc.) by the above mentioned Notary Public in her office, on 14th April 1994, at 14.00 hours p.m. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall be considered the participant, whose offer will be judged, by over 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be calculated on the basis of n discount interest at an annual rate of 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

To obtain the Offering Memoranda and any further information, please apply to the Liquidator's attorney in Athens, Mr Nikolaos Psaroudakis at 3. Voukourestion Str., 10654 Athens. Tel: +30-1-322.18.69 and +30-1-325.41.40, Fax: +30-1-325.41.40.

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For further details contact The Joint Administrative Receivers, Peter Flesher and Maurice Withall, Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.
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Spanish state aids can continue

EUROPEAN COURT

The European Court of Justice has ruled that Spanish tax exemption provisions benefiting the public sector were state aids. But the Court said the provisions could remain in operation since they predated Spanish membership of the European Community and had not been declared incompatible with the common market by the European Commission under the appropriate procedure.

The ECJ gave its ruling in response to questions from a Valencia court relating to the interpretation of the EC competition and state aid rules. The questions arose in the context of a dispute between the Banco de Credito Industrial SA and the Valencia Ayuntamiento over the imposition of a local business tax during the tax years 1983 to 1986. Banco de Credito claimed that it was exempt from all public taxes.

The Luxembourg Court clarified a number of preliminary matters before turning to the Spanish court's questions. It noted that Banco de Credito was considered by the Valencia court to be a state company, because of an indirect capital holding by the state. It pointed out that the questions were irrelevant with regard to the tax years 1983, 1984 and 1985, because they predated Spanish accession to the Community. And it said that the factual background of the case indicated that only the Treaty rules on state aids were relevant to the national litigation.

Accordingly, the ECJ redefined the questions referred. It said the Spanish court was really asking whether treaty rules governing the public sector read together with the prohibition of state aids precluded the application of a national law granting a tax exemption to public sector businesses.

The ECJ held that, although such national laws were state aids, they could continue in operation so long as the Commission had not declared the aids incompatible in accordance with the procedure applicable under the treaty to existing aids.

The Court confirmed that the state aid rules apply to public and private business alike, subject only to the exception available to the provision of public services of a general economic interest. It said that a measure whereby certain businesses were granted a tax exemption not available to others coostituted a state aid. Where such an aid was of a type to affect trade between member countries and to restrict competition, it was incompatible with the common market unless it could benefit from the exceptions provided for by the treaty state aid rules.

However, the system for monitoring state aids set up under the treaty requires constant review of aids by the Commission, which is responsible therefore for declaring the incompatibility of aids, subject to the control of the Court, in accordance with the applicable procedures. The Commission's powers extend to aids granted to public sector businesses, and in particular to those to which member countries have entrusted the provision of services of a general economic interest. The distinction made between the procedure applicable to existing and new aids applies equally.

The ECJ said that, since the aid in question was created prior to Spain's accession to the Community, it was to be categorised as an existing aid. In accordance with the Court's case law, existing aids may continue in operation so long as the Commission has not declared them incompatible.

Consequently, it followed that, so long as the Commission had not declared an existing aid incompatible, it was not necessary to examine if, and to what extent, the aid could escape the treaty prohibition of state aids under the public sector exception available to businesses entrusted with the provision of services of a general economic interest.

C-387/92, Banco de Credito Industrial SA (now Banco Exterior de Espana SA) v Ayuntamiento de Valencia, ECJ FC, March 15 1994

Spanish musenm charges unlawful

The ECJ has condemned as discriminatory museum entry charges in Spain. While all Spaniards enter free, other EC nationals must pay unless they are under 21 or resident in Spain.

C-45/93, Commission v Spain, ECJ FC, March 15 1994

BRICK COURT CHAMBERS, BRUSSELS

Analysts wary of tighter net

Robert Rice looks at the impact of expanded insider dealing regulations

The quashing last month of the insider dealing conviction of Mr Thorold Mackie, a Scottish investment analyst, has done little to calm the nerves of the UK securities industry about the new insider dealing laws which came into force at the beginning of March.

His conviction in 1992 sent shock waves through the securities industry. To many Mr Mackie's prosecution seemed little more than a heavy handed attempt to punish a respected analyst for doing his job well.

Events leading to the conviction involved Mr Mackie, who worked for Edinburgh stockbrokers Bell Lawrie White, learning from Mr Peter Runciman, chairman of waste disposal company Shanks McEwan, that things were not going well at the company. Mr Mackie subsequently advised his clients to sell short. Soon afterwards Shanks McEwan issued a profits warning. The shares sold by Mr Mackie's clients realised £1.4m more than they would have done after the warning was issued.

Mr Runciman gave evidence at Mr Mackie's trial that he had told Mr Mackie that the company was about to issue a profits warning. Mr Mackie maintained that he had merely said there would be little by way of growth in earnings per share during the current half year.

But his ordeal also served as a sharp reminder to the investment community of what the new law had in store. The drive to create open and fair markets by widening the scope of the UK's insider dealing laws appeared to threaten irreversible change to the traditional relationship between investment analysts and the corporate sector.

Since the Mackie trial many analysts will now only talk to companies in pairs so that corroboration of what was said is possible if required. And it has become increasingly common for analysts to begin meetings with compaoy chairmen by begging them not to tell them anything which may make them an insider.

In spite of Mr Mackie's subsequent acquittal the investment community remains wary and there is little sign of them relaxing their guard while the full impact of the new laws remain uncertain.

Their concerns were on display in Edinburgh last week at a seminar organised by the Securities Institute. Mr Frank Doran and Ms Kathleen Stewart of Scottish solicitors McGrigor Donald attempted to calm nerves by pointing out that despite the wider ambit of the new regime many of the principles of the old law still applied.

The new laws make it an offence to deal in securities or encourage another to do so when in possession of inside information, or to disclose inside information other than in the proper performance of a job.

The Scotsman

Mackie: his acquittal has done little to allay investment community fears

Their scope has expanded in three respects: the securities covered; the markets regulated; and the geographical area of the offence. Dealing now includes any off-market deal made through a professional intermediary as well as those on a recognised stock exchange. Securities has a wider meaning and will include debt securities, depositary receipts, options and futures. The offences now cover markets in 19 European countries and extend to any investments made through intermediaries, and disclosure or encouragement made to persons in the UK from anywhere in the world.

Inside information is defined as specific price-sensitive information relating to particular securities which have not been made public. The 1993 Criminal Justice Act provides that it will be judged price-sensitive when, if made public, it would be likely to have "a significant effect" on the price of any securities. There is no longer any requirement for a connection between the insider and the company to which the information relates, but the individual must have obtained the information from an inside source.

There are a number of general defences: the insider had no expectation nf any profit, or the avoidance of any loss would result from dealing on the basis of the information; the insider reasonably believed that no parties to the transaction would be prejudiced by not having the information; ond the insider would have done the same thing even without inside information.

There are also specific defences for market makers acting in good faith; persons acting reasonably on market information; and those acting in conformity with the price stabilisation rules in the 1986 Financial Services Act.

Part of the problem faced by the financial community in interpreting the new law over the coming months is the lack of any precedent. Since insider dealing laws were first introduced in the UK in 1980 there have been just 32 prosecutions and 15 coovictions, of which 9 pleaded guilty leaving only 6 convictions resulting from contested cases. As Mr Neil Davidson QC pointed out six cases under a previous regime are not much of a guide as to the likely impact of the new law.

Companies fear the new law will interfere with normal contacts with investment analysts. Mr Brian Fidler, finance director of Christian Salvesen, told the seminar that if the net result of the new regime was that companies stopped talking to analysts it would be a big step backwards in the drive to create more perfect markets.

His views were echoed hy Mr Adrian Fitzgerald, director of equity research for NatWest Securities in Edinburgh. The new laws could seriously threaten valid lines of communication between analysts and companies, he said. If the affect of the was that analysts would be forced to tell companies "please don't tell me anything which may help me to make a better value judgment" then there was a serious danger of information and communications becoming sterile.

He said the regulations would lead to less efficient markets with securities incorrectly priced; more speculative comment; more volatile securities prices; and an increase in profits warnings under stock exchange guidelines nn dissemination of price-sensitive information.

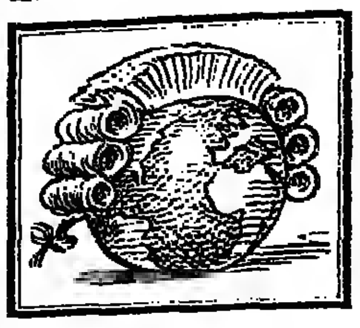
But there nre more specific concerns. Mr Fitzgerald said it would often be unclear whether information had been made public or not. This meant that when analysts wanted to use information but were unsure whether it was public they would have to consult a compliance officer and possibly lawyers.

There is also concern about what is and what is not price-sensitive information and whot constitutes "significant impact" on the price of securities. To many in the City significant means movement of 10 per cent or more. But Mr Fitzgerald said there was "little logic in a law which says here is a grey line, step over it and you commit an offence, stay behind it and you are OK".

He added that if "significant" was judged by an arbitrary movement in share prices you could end up with odd and unfair results. A fund manager who got it right and made £150,000 would escape prosecution if the shares moved only 3 per cent, whereas an individual who got it wrong and shares moved 10 per cent could face prosecution even if only £100 profit was made.

In addition to these concerns, many believe that the only people to benefit from the new law will be lawyers. But until precedents have been established analysts and fund managers should bear in mind that even the best legal advice cannot guarantee whether conduct remains within or outside the law. Their only real comfort is as Mr Doran pointed out: "The Act was not created to punish people who are acting innocently."

LEGAL BRIEFS



Lender to bear loss resulting from negligent valuation

A finance house which lent money for the acquisition of a commercial property based nn an incorrect valuation cannot recover any of its capital loss from a negligent valuer, the English High Court has ruled. The court's decision in Nyckeln Finance v Stumpbrook Continuation comes shortly after the Banque Bruxelles Lambert v Eagle Star case in which it was ruled that a negligent valuer was not liable for losses resulting from a collapse in the property market. But the judge in the latter case had left open the possibility of a claim by the lender for loss nf its "cushion" – the difference between the amount of the loan and the perceived value of the property. In Nyckeln, the judge did not award damages for loss of "cushion".

Mr Edwin Cheyney of Wilde Sapte, Nyckeln's solicitors, said the decision would take many in the property world by surprise. "It means capital losses can now only be recovered if the lender has lent more than the actual value of the property after the drop in the market value has been taken into account," he said. The administrator of Nyckeln, Mr Maurice Withall nf accountants Grant Thornton, is considering an appeal.

In-house concern

There is considerable pessimism about the future growth of company in-house legal departments, according to a survey of lawyers working in commerce, finance and industry carried out by the Law Society. The growth of recent years has halted and financial constraints have led to the employment of less qualified staff.

The survey also found that many employed lawyers were extremely dissatisfied with the society's efforts to address their specific interests and problems.

PEOPLE

Taking a chair in social housing

Former Mercantile House chairman John Barkshire, who in the 1970s and 1980s was one of the City's more entrepreneurial figures, has taken oo tha chairmanship of Chaco Investments which is pioneering ways of attracting institutional finance into social housing.

Chaco, a subsidiary of TR Property Investment Trust, was set up four years ago by Leoo Clifton, 45, who had been helping finsnce inner city developmsnts. Its name comes from Chaco Canyon in New Mexico where a group of Indians had pioneered community housing.

The rapid growth of housing associations, and the cutback in government funding for social housing, has led to increasing calls for private sector funding to augment the resources provided by banks and building societies. Chaco's brief is to encourage the big investment institutions to start investing in social housing again after an absence of over 30 years caused by worries about rent controls and other financial restrictions.

Chaco recently helped Scottish Amicable buy 500 housing association properties, worth £8m, from Coventry's CCHA Housing. It was the first time that an institution had taken an equity staka in housing association properties built before 1988 and was welcomed hy tha Housing Corporation, the government regulator.

However, if Chaco is to do more deals of this type it needs access to a much bigger pool of institutional funds and the company is hoping that under John Barkshire's chairmanship

its name will become better known in the City. Barkshire, 59, who sits on the boards of Sun Life, Savills, Household Mortgage Corporation, and TR Property Investment Trust, expects to appoint at least one more non-executive to the Chaco board. He has also not ruled out the possibility of widening Chaco's shareholder base at some stage. At the moment TR Property owns 90 per cent and Clifton owns 10 per cent.

Sheehan to leave LET

Nicholas Sheehan has resigned from his role as chief executive of London and Edinburgh Trust, the UK property arm of SPP, the Swedish insurance group.

His resignation follows a structural reorganisation of SPP's international property interests, which have incurred heavy losses in recent years.

Jeremy Plummer has been appointed head of the group's international property portfolio, with overall responsibility for SPP's property portfolio in the UK, Germany, the Netherlands, France, Spain, Italy, the US and Singapore.

SPP is integrating tha operations of SPP.LET, which is the manager of SPP's international property portfolio, into its own portfolio management operations. The company says the decision marks SPP.LET's transition from a development company to an investment institution.

Anders Ek, chief investment officer for SPP, says Sheehan's skills "had been invaluable in rationalising the UK portfolio in difficult market conditions".

SPP bought London & Edinburgh Trust, the UK property company, for £491m in 1990. The company incurred a pretax loss of £448.6m in 1992.

■ Andrew Ilsley has been appointed a director of HELICAL Properties Investment and Aycliffe & Peterlee Investment, and Tom Murphy company secretary of Helical Bar.

■ Michael O'Flaherty has been appointed regional operations director at Barnard Marcus, part of ROYAL INSURANCE Property Services.

■ Bill Downie, formerly md of Headland (South), has been appointed a director of Taywood Homes, TAYLOR WOODROW's Scottish housebuilding operation.

■ Piers Shepherd, md of subsidiary Mechplant, has been appointed to the board of SHEPHERD BUILDING GROUP and a member of the group management committee.

Paul Revell is the new managing director of Derwent Valley Foods, manufacturer of one of the more successful snackfood brands to be invented in recent years.

Revell (left) had a ten-year stint with United Biscuits before joining DVF, most recently as commercial director of McVitie's (UK). UB bought DVF in February 1993 for £24m. Before his job with McVitie's, Revell worked in another UB branch, KP Foods. A decade's axparience of snackfood brands will be useful for Revell's steerage of DVF's Phileas Fogg snacks, a preminm range inclnding eccentric nibbles such as Tortilla Chips and Punjab Puri.

DVF's founder and former managing director, Roger McKechnie, has stepped down from his chairmanship of the company though stays on as a non-executive director. He set up DVF in 1982; by 1986 it was joint winner of a Business Enterprise Award.

McKechnie has now ploughed some nf his £2m cash from UB's acquisition of DVF into a new venture called the Medomsley Road Seed Capital Company, which – as its name implies – provides seed capital for start-up companies in the north-east of England.

Finance directors on the move

Andrew Flanigan, 37, chief financial officer of BIS, is taking over as finance director of Scottish Television from Don Kinloch who retires in the summer.

Richard McGregor, 55, director of finance and planning at J. Bibby's materials handling division takes over as finance director of J. Bibby & Sons from Alan Gresty, 49, who has been made chief executive of Bibby's paper and converted products, laboratory products and electro-optics divisions.

Phillip Ashforth, 38, group finance director of Brown & Tawae, has taken over as group finance director of Jacques Vert, replacing Malcolm Heald who left in Jannary.

Stephen Bellamy, 34, who trained as a chartered accountant in New Zealand and has been executive director of Brierley Investments' London operations since 1987, has joined Sherwood Computer Services as finance director.

Michael Stoddard, a former finance director of Nu-Swift, joins Record Holdings on May 2 as executive group finance director and Fred Watt, who joined Wassall in 1989 as chief accountant and company secretary, has taken nver from David Roper as Wassoll's finance director. Roper and Philip Turner, two of Wassall's founding directors, have been appointed deputy chief executives.

Leon Angrave, 37, who helped rationalise Mosaic Investments before leaving to set up his own financial consultancy in 1993, has joined Apollo Metals as group financial director. As a result, Rex Walker steps down from the Apollo board and takes on the role of company secretary.

Steven Salmon, the former finance director of In Shops, has been appointed finance director of Birkby following tha latter's acquisition of In Shops. He replaces Kim Taylor-Smith who becomes deputy chief executive.

Les Kemp, Enterprise Computer Holdings' financial director, has announced his resignation becausa he wants to pursue his career in the UK rather than the US.

Fringe theatre in London

Rare Cocteau and Strindberg

Jean Cocteau (1889-1963) did some terrible things in his time, but for our sakes I hope *The Eagle Has Two Heads* (*L'Aigle a Deux Têtes*, 1946) is the worst. It is a miracle that its audience at the Lilian Baylis does not laugh, or groan, out loud. On the one hand, there is its plot, which is three acts of melodramatic royal romance – a kind of cross between *The Prisoner of Zenda*, *Queen Christina*, and *Mayerling*; on the other, there is its language, which is typically inflated stuff, reminding you of whatever irritated you most in Wilde, Maeterlinck, and Cocteau himself. Glamorous, and wholly phoney.

The widowed Queen still mourns her royal husband and keeps herself from her public ten years after his death – when, suddenly one stormy night, into her room bursts his lookalike, a peasant poet who happens to have plans to assassinate her but whom she saves from death. They promptly fall in love and (natch) start hatching plans for a double suicide. She, 10 minutes after meeting him: "You are my destiny ... It is my death whom I have saved from death... You are my death." He, later: "We are the dreams of a man who dreams so soundly he does not know he dreams."

In between, Cocteau drags in his usual King Charles's heads. Poets, love, death. People talk of the blood of a poet in all three acts; spout such bravado as "The one unpardonable crime is failure" and "If I were not a queen I should be a revolutionary myself"; solemnly produce sub-Wildean lines like "Assassination is the privilege of princes", "Gossip is about poets, not by poets", and "Police and poets never do get on with each other"; and wax fancy, as in "What is a queen? She is a woman in an evening dress who is trying to overtake time."

Susannah York has somehow found time amid her current performances of *September Tide* to direct this; and she has cast Lisa Harrow to play the Queen – a role created for Edwige Feuillère, and played later by Eileen Herlie and Jill Bennett. Harrow, with her gloriously sculpted face and cheekbones, has beauty, charm, polish, and variety. Her performance, however, reminded me of problems I had with York's in *September Tide*: the lines seems to call for a more scintillating spontaneity, and a more violent sincerity, than she yet provides.

As the poet, Stash Kirkbride does some intelligent and sensitive line-readings without investing the role (which was for Jean Marais) with much stature. Both the carriage of his head and the use of his eyes

> *One play is glamorous and wholly phoney, the other full of absorbing, horrid surprises*

are dull. Maybe York wants to dust any superfluous glamour off the play. Who knows? Alas, she dilutes its romance too. But who cares? Though some of Cocteau's material is exhilarating, not a jot of it rings true.

Beneath all his wretched determination to be surprising is a quite maudlin flair for cliché. "I could kill you so as not to lose you." "I know this love could not endure (and so I took poison)." "All love is a little death, and great love is suicide." Finally, the Queen (stabbed by the poet) says to him (as she reels from the poison he has taken) "Thank you for making me live... Thank you for making me die." Thanks, but no thanks.

Meanwhile, down in "the room" at the Orange Tree Theatre, Richmond, Strindberg's rare 1907 play, *The Pelican*, is receiving its second-ever production in this country. Not unlike Gorky's *Vassa Zheleznova* (seen at the Gate in 1990), a play begun at the same time, this is about a latterday Clytemnestra and her children. The Mother has deceived her husband and forced him to his death before the play begins; Strindberg's stage action concerns her children's discovery of her crimes.

The pelican is a bird that, in legend, gives its own blood to feed its children. The Mother here has brought her children up in starkest poverty, and has seemed to be such a pelican. Now they discover that she deprived them – skimming the milk and keeping them in the cold – so as to save money for herself. She is a compulsive cheat; she has even stolen her new son-in-law from her daughter. And they come to recognise not only her evil but her odd helplessness in it: she is "like a sleepwalker who can't be woken." They know, however, that their own lives remain ruined.

As the Mother, Jan Waters gives the most detailed and intense performance, though also the most over-cultivated. (She projects not greed but vanity; not meanness but hyper-sophistication.) Charlotte Williams (as daughter and maid), Brett Fancy (the Son-in-law), Alan Westaway (the son) are sometimes a tad too pallid, but keep the absorbing, horrid surprises of Strindberg's drama unfolding freshly. Sean Holmes directs; the new translation, very effective, is by Eivor Martinus. Like *The Eagle with Two Heads*, the play is given without an interval, and gains thereby. It lasts only 95 minutes and holds its audience's attention with easy command.

Alastair Macaulay

The Eagle with Two Heads is at the Lilian Baylis, EC1; *The Pelican* is at the Orange Tree, Richmond. Both run until April 2.

Democracy in the Deep South

If the result of the American civil war, or the war between the states, as people in the south still call it, had gone another way, the history of the world after 1865 or thereabouts would have been quite different. How different, in what ways and whether for good or ill, no-one can tell. But if you think about the question for a moment, you will realise that the proposition is true: the preservation of the American union was a decisive historical event.

It was also one of the most brutal campaigns ever fought, mixing new technology in the north with older notions of valour and chivalry in the south. There were more recorded casualties than in any previous war.

That is part of the background to the new piece at the Bush by the Canadian writer, John Murrell. *Democracy* is one of the most cerebral plays you are likely to see. It consists largely of a dialogue between Ralph Waldo Emerson, the thinker, and Walt Whitman, the poet: the rationalist opposed to the romantic. The exchanges take place near Washington as the battle rages in Gettysburg in 1863.

Murrell writes beautifully. Emerson has a speech about war which goes on so long that it must qualify for the Guinness Book of Records in the theatre. Spoken by Hugh Ross, it remains riveting throughout. Describing the aftermath of the conflict, he relates: "Some of the boys coming home from Gettysburg didn't even seem to recognise the name of the great battle that they had fought."

When he says: "It was hell, Walt. It was hell itself", there is not even the faintest suggestion that such words could be a cliché. This is an immaculate performance by Ross.

The other star in *Democracy* is Robert Jones, who designed the set. When you enter the theatre, the stage is concealed behind billowing red curtains. They disappear to reveal a set of woods and wet grasses so naturalistic that some of the audience started to show symptoms of hay fever.

This is the romanticism behind the war. Whitman has given shelter by his pond to two young drop-outs from the conflict, one a southern deserter, the other a dying soldier from the north.

They talk, sing and achieve a kind of harmony while the main business remains between Whitman and Emerson.

Democracy is not a play that I would recommend to all-comers. There is too much shouting in the first act. It could be said to have more than a share of north American sentimentality: too much of the fondness for the pond. The nature of the dialogue is not the most obvious subject for the theatre. Yet under John Dove's direction I admired it enormously, and enjoyed it.

Malcolm Rutherford

Bush Theatre. (081) 743 3388

Alastair Muir

Hugh Ross, Johnny Lee Miller, Nick Waring and Stanley Townsend on Robert Jones's wonderful set

'The Duenna with Two Children', 1795, by Goya: he has a real claim to be the first great modern painter

A singular vision

> *William Packer finds himself looking over Goya's shoulder into his dark, ironical world at the Royal Academy*

Goya is generally acknowledged as one of the supreme masters in the post-Renaissance western tradition, and for once we should not be shy of an accolade all too often given. Rather more to the point, he has a real claim to being the first great modern painter, providing the link between that older tradition and the modern movement that we so glibly read as a break with the past. All art has its history and context.

The Goya link is more of a complex double-knot than a simple tie. The threads within it are the humane profundity of Velasquez and the rococo virtuosity of the 18th century on the one hand, the romantic realism of Courbet and Delacroix and the proto-impressionism of Manet and Degas on the other. And all the while there is Goya himself, with his singular vision of the world, at once natural and fantastical, delighted and appalled, mordantly ironical.

There has been no finer painter of the male portrait than he, not in its grander pretensions but on the intimate scale of conversational scrutiny, head and shoulders, one to one. Yet that same sensibility, capable of such profound psychological insight, spent half a career producing decorative schemes, both religious and secular, the rival of anything out of France or Venice. And all the while his eyes were open to the incidental and the everyday, to the common sports and festivals, picnics and bull-fights, and to the darker spectacles of the prison and the asylum. The step across into fantasy, albeit the ironical fantasy of the rational man, with its travesty of true religion in the black arts, was not so great.

We find the whole artist in the intimate, reflecting glass of his smaller paintings, that are now brought together as never before. The small painting, whether preliminary sketch, or cabinet picture complete in itself, is not unique to Goya, but what is peculiar to him in his time is its sense of immediacy and privacy. We discover an artist working more and more for himself as he grows older. So lively and direct are these things in the making, it is as though the paint were still wet and we looking on at the artist's shoulder.

Goya lived through difficult times, born in 1746 in the repressive Spain of the failing Bourbons, to whom he was appointed Court Painter in 1786, a post that somehow he still held at his death in exile in Bordeaux in 1828. The French Revolutionary wars and Napoleon's subsequent invasion of Spain, inspired his bleakest work and darkest inventions. Illness in the early 1790s left him stone deaf, which could only have increased his alienation, spiritual quite as much as physical, that is so clear in the work.

None of the etchings of the "Horrors of War", nor any of the "Black Paintings" of this period, from the Prado, are in this exhibition. Even so, the contrast of mood could hardly be better pointed than by the presence of the early tapestry sketches, the "Four Seasons" of the mid 1780s for example and, next door, the grim prison interiors, the Witches Sabbaths, the gypsies' caves, the cannibals, shipwrecks, and the robbed coach – owned incidentally by a bank – of the 1790s.

But there are more subtle contrasts to draw, consistencies even. There was ever a darker, more violent side to Goya's imagination, as perhaps to the Spanish temperament itself, with his tavern brawls, the cat up a tree and the strange straw mannikin thrown in the air to set against the real horrors to come.

In more poignant contrast, *The Meadow of San Isidro* of 1788 gives us the image of the perfect Spring afternoon, and the company *en fête* for the communal picnic, across the river from Madrid. The fair is down on the water-meadow, and on the grassy slope the girls sit beneath their parasols, and the men lounge and flirt and have another drink.

Some 30 years on and it is a "Bullfight in a Village" that is the festival – not that there is any inference to draw from that. But the company is clearly rougher, the evening drawing on, and the eye is held not so much by the protagonists, bull and picador, as by the squat triangular back-view of hat and greatcoat beneath and between them. It is the formal fulcrum of the picture, and self-portrait besides. Would only a deaf man, as Sacheverell Sitwell has suggested, give only his back to the world?

The self-portraits, indeed, are the key to the show, from the opening image of the early 1770s, the young man fresh-faced and confident, to the odd self-mockery at nearly 50, caught *contre-jour* in brocaded jerkin and funny hat. But it is the tiniest of them, painted only a year or two later, that bangs in the memory. A shock of hair, black coat and high stock, together frame a face half in deep shadow. The brow, catching the light, is tense and furrowed, and out of the shadows those two dark eyes fix us for ever.

Truth & Fantasy: Goya – the Small Paintings; Royal Academy of Arts, Piccadilly W1, until June 12. Sponsored by The Times and Classic FM, with support from Iberia – part of the Spanish Arts Festival.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw Tonight: Michael Morgan conducts Royal Flanders Philharmonic Orchestra in works by Janacek, Fass, Bruch and Mahler, with cello soloist Robert Cohen. Tonight, Thurs, Sat (Kleine Zaal): Tokyo Quartet plays Beethoven string quartets. Fri: Stanislaw Skrowacewski conducts Radio Symphony Orchestra in Tchaikovsky and Bruckner, with piano soloist Mikhail Rudy. Sat afternoon: Frans Brüggen conducts Orchestra of 18th Century and Gulbenkian Chorus in Haydn's The Creation, with Joan Rodgers, Luba Orgonasova and John Mark Ainsley. Sun afternoon: Philippe Herreweghe conducts Royal Concertgebouw Orchestra and Collegium Vocale Ghent in Bach's St John Passion, with Howard Crook as the Evangelist (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, Fri, Sun afternoon (in repertory till April 9): Dutch National Ballet presents Balanchine programme. Thurs, Sat: Alberto Zedda conducts final performances of Dario Fo's Netherlands Opera production of Il barbiere di Siviglia (020-625 5455)

ANTWERP

deSingel Fri: Rafael Orozco piano recital. Next Mon: Sigiswald Kuijken directs La Petite bande in works by Bach and Vivaldi (03-248 3800)
de Vlaamse Opera Next Tues: first night of new production of Lohengrin, starring Gösta Winbergh (03-233 6685)

BASLE

Casino Tonight: Cleveland Quartet. Tomorrow: Albert Kaiser conducts Basle Symphony Orchestra, with soprano Tina Kiberg. Thurs: Wolfgang Sawallisch conducts Vienna Symphony Orchestra in works by Haydn, Apostel and Schumann (061-272 1176)
Stadttheater Tonight, Fri: Lulu. Sun: Il viaggio a Reims (061-295 1133)

BRUSSELS

Monnaie Tonight, Thurs, Sun afternoon: Gianluigi Gelmetti conducts Luca Ronconi's production of Rossini's Otello, with cast headed by Chris Merritt and Lella Cuberli (02-218 1211)
Paleis des Beaux Arts Thurs: Andrei Gavrilov piano recital. Sat: Philippe Herreweghe conducts Royal Concertgebouw Orchestra and Collegium Vocale in Bach's St John Passion (02-507 8200)

CHICAGO

CHICAGO SYMPHONY
Tonight's concert at Orchestra Hall is conducted by Riccardo Chailly and includes works by Schnittke, Mozart and Ravel, with piano soloist Maria Joao Pires. Myung-Whun Chung conducts symphonies by Mendelssohn and Saint-Saens on Thurs, Fri afternoon, Sat and next Tues (312-435 6666)
THEATRE
● The Night of the Iguana: Goodman Theater artistic director Robert Falls directs Tennessee Williams' late play, with William Peterson as the debased minister drawn to a New England spinster, played by Cherry Jones. Till April 10 (312-443 3800)
● The Mesmerist: Ara Watson's play, set in 1884 India, about the leader of a spiritual society who is investigated when her mystical powers are called into question. Till April 3 at Steppenwolf Theatre (312-335 1650)
● The Importance of Being Earnest: Court Theater, Chicago's third-largest non-profit theatre, presents Oscar Wilde's classic comedy. Till April 3 (312-753 4472)
● Joseph and the Amazing Technicolour Dreamcoat: the Andrew Lloyd Webber musical is directed by Stephen Pimlott, with former teen heart-throb Donny Osmond as the Bible's flashiest dresser. At the Chicago Theatre in an open-ended run (312-902 1500)

GENEVA

● Roderick Brydon conducts Francesca Zambello's new production of Billy Budd tomorrow, Sat and next Tues at Grand Théâtre, with a cast headed by Robert Tear, Rodney Gilfry and Willard White (022-311 2311)
● Andras Schiff gives a piano recital tonight at Victoria Hall (022-310 9193). Kurt Sanderling conducts Suisse Romanda Orchestra in symphonies by Beethoven and Brahms on Fri (022-311 2511)

SALZBURG

EASTER FESTIVAL
This year's festival, the first under Claudio Abbado's artistic direction, opens on Sat with the premiere of Herbert Wernicke's production of Boris Godunov, conducted by Abbado with a cast led by Anatoly Kotscherga, Marjana Lipovsek, Philip Langridge and Aage Haugland. Abbado conducts two orchestral concerts and Georg Solti four, including two performances of Beethoven's Missa Solemnis. The main innovation this year is a series of chamber music concerts, entitled Kontrapunkta, featuring members of the Berlin Philharmonic, the festival's resident orchestra. These concerts at the Mozarteum will focus on 20th century Russian music, and have been priced to attract a younger audience. The festival ends on April 4 (0662-8045 361)

VIENNA

Staatsoper Tonight: Salome. Tomorrow: Carlos Kleiber conducts Der Rosenkavalier, with Felicity Lott, Anne Sofia von Otter, Barbara Bonney and Kurt Moll. Thurs: Der fliegende Holländer. Fri, next Mon: Cav and Pag. Sat: ballet mixed bill. Sun: Andrea Chenier (51444 2955)
Konzerthaus Tonight, Fri: Cheryl Studer song recital. Tomorrow: Sylvain Cambreling conducts Ensemble InterContemporain in works by Schoenberg, Boesmans, Stravinsky and Ligeti. Thurs: Heinrich Schiff cello recital. Sat afternoon, Sun morning: Philippe Entremont conducts Vienna Chamber Orchestra. Sun: Handel's Messiah (712 1211)
Musikverein Thurs: Frederica von Stade song recital. Sat and Sun: Nikolaus Harnoncourt conducts Concentus Musicus and Arnold Schoenberg Chorus in Bach's Matthew Passion, with soloists including Hans Peter Blochwitz, Olaf Bär and Barbara Bonney (505 8190)

WASHINGTON

MUSIC/DANCE
● Boston Ballet opens the Kennedy Center's dance season tonight with the world premiere of a new work by Merce Cunningham. Boston Ballet is in residence at the Opera House till Sun, while Bella Lewitzky Dance Company and Dayton Contemporary Dance have programmes at the Terrace Theater. The season continues with the Royal Ballet April 6-17, Dance Theatre of Harlem April 19-May 1, Parsons Dance Company May 3-6 and San Francisco Ballet later in May (202-467 4600)
● Cecilia Bartoli gives a song recital on Fri in Kennedy Center Concert Hall (202-467 4600)
● Mario Venzago conducts Baltimore Symphony Orchestra on Thurs, Fri and Sat morning at Baltimore's Joseph Meyerhoff Symphony Hall. The programme includes symphonies by Haydn and Schubert (410-783 8000)
THEATRE
● The Sisters Rosensweig: Wendy Wasserstein's sophisticated comedy about the reunion in London of three American Jewish sisters. Till April 10 at Eisenhower Theater (202-467 4600)
● Wedding Band: Alice Childress' drama about an interracial couple who reveal the racism in others and themselves. Till April 10 at Roundhouse Theater (301-933 1644)
● Single Exposures: a festival of America's leading solo performers, including Tom Cayler, Tim Miller and Claire Porter. Till May 1 at Woolly Mammoth (202-393 3939)
● Abundance: Beth Henley's comedy about two mail-order brides in the Wild West. Till April 23 at Signature Theater (703-820 9771)
● Get to Tomorrow: Roy Barber's new musical about the triumph of an inner city family over the challenges it faces. Till April 3 at Source Theater (202-462 1073)

ZURICH

Opernhaus Tonight, Fri, Sun: Rafael Frühbeck de Burgos conducts Ruth Berghaus' new production of Otello, with cast headed by Frederic Kalt and Daniela Dessi. Tomorrow: La boheme. Thurs, next Tues: L'Italiana in Algeri with Vesselina Kasarova and Simone Alaimo. Sat: Ariadne auf Naxos (01-262 0909)
Tonhalle Thurs: Nicolae Moldoveanu conducts Tonhalle Orchestra in works by Haydn, Debussy and Lutoslawski, with soloists including soprano Solveig Kringelbom (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Robert Corzine on Qatar's efforts to shift its fortunes

The gas-man cometh

The Organisation of Petroleum Exporting Countries meets on Friday in Geneva amid continuing signs that its members lack the political will to make the deep production cuts needed to drive up oil prices, now lingering near five-year lows.

There are fears in Opec that its influence on prices might weaken further in a world where oil supplies from independent producers remain abundant. The expectation that production quotas may stay at low levels for the next three years or so has prompted some members to look beyond oil for new sources of income.

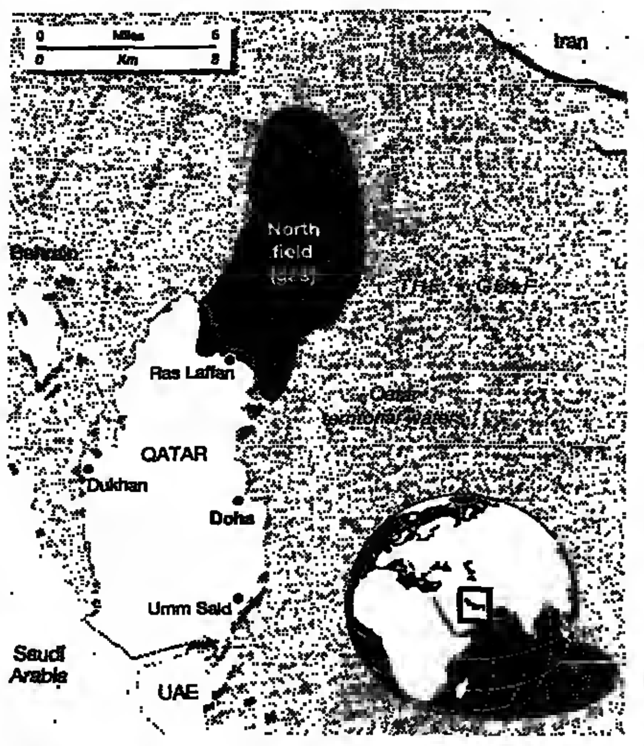
For Qatar, the quintessential small Gulf emirate, oil revenues have allowed the 150,000-200,000 Qataris to live free from material want and taxes. But a combination of declining reserves and weak prices has prompted the ruling al-Thani family to base its international commercial ambitions on the one resource in which Qatar is a giant – natural gas. The world's largest single concentration of natural gas, likely to become the fastest growing and most environmentally acceptable fuel, lies off the coast of Qatar in the North field.

Qatar is already a privileged society, where petrol costs the equivalent of just 50p a gallon, less than bottled water, and housing is heavily subsidised. An army of expatriate workers from India, Pakistan and the Philippines fill blue-collar and lower-level clerical jobs, leaving most local males free to fill management positions in the public sector. Women mainly remain at home.

But this state of affairs is based on dwindling reserves of 3.7bn barrels of oil, modest by Middle East standards and likely to last for only another 25-30 years. *Hence the attempt* to shift Qatar's fortunes from oil to gas.

In January these ambitions surfaced in a way which sent shock waves through the Arab world. Officials confirmed direct talks with Israel about supplying natural gas in spite of the Arab economic boycott. Syria in particular was furious that Qatar might undermine the embargo before a comprehensive settlement was in place. But Qatar has shrugged off the criticism.

Mr Abdullah bin Hamad Al-Attiyah, Qatar's energy minister, now concedes gas sales to Israel would depend on a peace settlement between Tel Aviv and its neighbours. But a feasibility study will go ahead and



"Qatar is ready to supply gas to anyone" if commercial terms are right, he says. "We consider Israel as we would any other potential customer."

Qatar's commercial drive is fuelled by the North field's 227,000bn cubic feet of proven reserves, a pool of gas which dwarfs UK reserves of 19,100bn cubic feet. Experts say Qatar's *reserves could last 200 years.*

The challenge for the country is to ensure that its two multi-billion-dollar gas export projects based on North field reserves – known as Qatar Gas and Ras Laffan Gas – come onstream in the late 1990s. Success in these inaugural schemes might open the way for further, more lucrative gas projects. But expanding gas infrastructure established for domestic purposes into one of the world's biggest exporters is proving difficult.

All large gas export projects are tricky to put together. The capital costs for liquefied natural gas or pipeline *projects run* into billions of dollars, while it can take 25 years or more to recoup the investment and make a profit. Oil can be sold on well-established markets in London and New York, but gas producers must first line up buyers willing to enter long-term contracts and agree a complex pricing formula linked in part to unknown, future oil prices.

Qatar's task has been complicated by inexperience on international capital markets. Its location is also problematic – far from the world'e main gas markets but at the heart of potential conflict, sandwiched between Saudi Arabia and Iran, which has a small portion of the North Field in its territorial waters.

Yet Qatar is managing to bring its gas export plans to fruition where similar projects suggested in many countries' in the Middle East, the former Soviet Union, Africa and Asia remain mere paper planning.

The infrastructure for both Qatar'e gas export projects is being built at the port of Ras *Laffan.* A visit reveals the scale of the task. Camels graze on scrub vegetation just yards from the fence enclosing the largest port construction project under way worldwide. Offshore, the world's second-largest dredger works alongside the 6km-long main breakwater that juts into the Gulf to shelter the harbour for liquefied natural gas carriers.

By the time the port is completed next year, $750m will have been spent and Qatar will have established its credibility as a prospective gas exporter. But that is only the beginning of a stream of financial commitments and construction milestones which Qatar must meet in coming years.

The first hurdle is the financing of Qatar Gas, the first of the two projects. Costing $4bn, it will supply 4m tonnes of liquefied natural gas a year to Japan from 1997. Financing of the deal was been split into chunks to ensure that "it didn't scare off international markets", according to one western banker.

Japanese banks and government agencies dominate the financing of the "downstream" processing and transport portion of Qatar Gas. This includee $1.6bn for a liquefaction plant and $1.8bn for seven liquefied natural gas carriers.

Within weeks Qetar will choose from among three competing consortia of banks from the US, Europe and the Gulf to arrange the final tranche of the $4bn total, amounting to $650m-$700m. This will pay for the offshore platforms and pipelines to produce and bring the gas ashore.

"Qatar's future access to international financial markets is largely conditional on the success of this financing," says s western banker. The financing *of a second, larger and* more expensive project, Ras Laffan Gas led by Mobil Oil of the US, will need to follow *shortly afterwards if it is* to meet its 1998 start-up date to export np to 9m tonnes of liquefied gas a year to South Korea and Taiwan.

A third project, Eurogas, to supply gas to Italy has collapsed. Europe remains a coveted market for Qatar gas, but there are doubts that such a project will pay until well into the next century.

Not every Opec member has the gas reserves to emulate Qetar. Those states that do, such as Iran and Nigeria, are keen to initiate projects, while existing exporters, such as Algeria and Indonesia, are *expanding* their activities. But all will remain dependent on oil revenues until well into the next century.

Joe Rogaly

Time out for reflection

Britain's Conservatives badly need to lose a general election. They are not at ease with themselves. They are confused, bothered, dispirited, disillusioned. They should he relieved of the burdens of government. This would give them time to reflect on what they have to offer us. When they have cleared their heads they might once again be permitted to form an administration. How long should they be out? If they are fortunate enough to go in 1996, a return early in the 21st century sounds good.

The latest manifestation of the Tories' doctrinal disarray is the current argument over the system of voting in the ruling council of the European Union. As matters stand, Britain can block EU decisions it does not like if it can form an alliance with, say, Germany and Denmark. The government hopes to retain this qualified minority veto when the EU is enlarged by the edmission of Sweden, Finland, Norway and Austria. The other member states of the EU, except Spain, want a small increase in the necessary number of blocking votes. A strong, united Conservative government would be confident that Britain could as readily find three or four allies out of 15 other members as it *can two oot of 11. This Conser*vative government is not.

Whst should be a typical Eurodebate, rich in technicali*ties, ripe for a compromise* resolution, has reached apparent stalemate. Last week Mr Douglas Hurd tried to prepare his party to accept a trade-off. Tory Eurosceptics, and some others, are saying that they will do no such thing. The foreign secretary argued that enlargement of the EU was a Conservative prize worth negotiating for. The Europhobes, who have an apparent armlock on the prime minister, will only countenance a settlement on their terms. Mr Hurd appears to be trapped.

It could be different in opposition. The party would be as divided as ever about Britain's place in the evolving European community, but it would have space in which to settle its arguments. There would be no need to take decisions on the run. The Conservative coalition could reassemble itself, with an eye to an audience wider than that constituted by its own depleted ranks. Liberal nationalists could argue their case, as Mr Michael Portillo, Mr Peter Lilley and Mr Michael Howard now do in veiled terms from their ministerial chairs. Christian Democrats and Europeans under the skin – like, say, Mr Kenneth Clarke – might enjoy the unchallenged ascendancy that should come naturally in a popular *Conservative* party.

The Conservative coalition could reassemble itself, with an eye to an audience wider than that constituted by its depleted ranks

Moderate conservatives who have the capacity to reflect on such matters are to be found inside the government, but many of them are out of sight. One, Mr Stephen Dorrell, emerged from cover earlier *this year. In an address* to student Tory reformers at Downing College, Cambridge, the financial secretary to the trea*sury rejected both minimalist* government *and* the "exaggerated histrionics of flag-waving nationalists". Love of country, he said "does not imply hostility to foreigners". He did not mention Mr Portillo, nor did he need to. Mr Dorrell projects the kind of decency that has won Mr Tony Blair of the Labour party much applause, although neither of them will thank me for saying so. For example, speaking of family responsibility the financial secretary said that "in this respect western culture needs to relearn forgotten lessons from some members of its own ethnic minority communities". Plenty to chew on there.

There is more food for thought in a new pamphlet by Mr David Hunt, published yesterday by the Conservative Political Centre. This should be read. The employment secretary, a known Tory Christian Democrat who grovelled to the Eurosceptics at last yoar's party conference, confronts the liberal-nationalist wing of his party bead-on. "That is what troubles me with the obsessive individualism of liberals: its potential drift into insularity," he says. He goes further. "Tories have always regarded buman beings as social beings – ours is a communitarian philosophy, and we regard communities and society as being somehow organic. The Kantian conception of the self – an abstract, rootless being with absolute characteristics – is alien to us." There are plenty of similar sentiments. One more: "... we must not let our opponents on the left claim that we andorse the worst, most selfish, manifestations of the capitalist spirit. It falls to *us to police the market.*"

Mr Hunt's contribution would be better expressed, and therefore even more valuable, if it had been produced in opposition. The employment secretary has been obliged to dot his observations with the butter of support for all the stated policies of the government of which he is a member. He throws in little dabs of praise for the prime minister he serves. *Perhaps* he wants the job of chairman of the Conservative party, a post he is tipped to be offered in a midsummer reshuffle. There is some sense in this, although possibly more political advantage in giving the task to Lord Archer. When Mr Chris Patten, now governor of Hong Kong, was Tory chairman he helped Mr John Major win an election. Like the employment secretary, Mr Patten is both a thoughtful European and a wistful Christian Democrat. You and I might regard it as crazy to accept the chairmanship of a disintegrating party, but Mr Hunt is an optimist, the kind who would tell himself that, starting from here, the Tories' fortunes can only improve.

Just who leads the Conservatives to what *should* be defeat is of small significance. What they discuss while out of office is more important. The division between Christian Democrats, proponents of the social market economy, and the faction called liberal by Mr Hunt has already become blurred. It may be less relevant at the end the decade than it seems to be now.

To take one specific example – will the fashion for adding layers of management to public services, as with health, survive? Private companies are downsizing their white-collar staffs; perhaps the Tories discovered 1970s management 20 years too late. There are other, more universal, questions, like *how do you re-instil a sense of* structure in an atomised polity? Mr Dorrell and Mr Hunt are both aware of this one. They know about Europe, too.

A long period of sabbatical leave from government would enable them, and their colleagues, to search for 21st-century answers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Good time to write off Africa debt

From Sir David Steel MP and Mr Tom Clarke MP.

Sir, Michael Holman is right to point out the shortcomings of the World Bank's structural adjustment programmes in Africa ("Long snakes and short ladders in Africa", March 15).

We have just returned from an Oxfam-sponsored visit to Uganda, where we saw the impact of that country's debt burden on the most vulnerable groups in society: orphans, people with disabilities and the poor.

Burdened with a debt burden of $2.6bn, Uganda is forced to spend one third of its annual budget on repayments, more than four times what it is able to spend on health and education.

We were alarmed to discover that nearly 70 per cent of Uganda's debt is owed to multilateral agencies such as the World Bank and International Monetary Fund, whose rules forbid rescheduling.

Most outrageous of all is that, over the next five years, Uganda will be forced to make a negative transfer of more than $200m to the IMF – an institution which, by selling only 10 per cent of its gold stocks, could write off debts owed to it by all tbe countries in sub-Saharan Africa.

This year sees the 50th anniversary of the World Bank and the IMF. What better time to review the development role of these institutions and to reward countries such as Uganda, which has done all it can under existing rules to tackle its debt crisis?

David Steel,
Tom Clarke,
House of Commons,
London SW1A 0AA

Government tinkering over cars

From Mr Philip Robin.

Sir, The government is tinkering at the edges over its latest proposals to limit the use of private cars ("Gummer aims to reduce car use", March 16). Without a clear strategy to find and develop superior public transport systems as an alternative, car usage will continue to grow.

The aim of the Planning Policy Guidance Note on Transport, to limit the use of private transport to reduce fuel consumption and harmful emissions, is laudable, but the proposals have not been thought through. A massive cultural change would be needed to wean the public away from cars. To have any hope of achieving this, the alternative system must be exceptionally efficient, comfortable and secure. This has a price, but so far the environment secretary has ducked the issue.

His policy does set out some measures to reduce the attractiveness of cars, including increasing duty on fuel, electronic tolling and congestion charging in urban areas. But these will only serve to force less well-off car owners to use public transport rather than choose it as an alternative.

If the government is really committed to reducing car usage, cutting the top speed limit to 50mph would have an immediate impact. This would at least get more people travelling on long journeys by rail. Otherwise the government has got to make a major financial contribution to public transport to prove it is serious.

Philip Robin,
head of planning & development,
Healey & Baker,
3 Tenderden Street, London W1

Commitment to reform

From Sir Anthony Grant.

Sir, Graham Allen MP (Letters, March 18) is absolutely right in calling for wide-ranging reform of Parliament. The silly confrontational style in the chamber itself, especially at question time, is now pure pantomime for the benefit of the media.

This, coupled with the modern MP's desire to join the executive rather than to scrutinise it, is why Parliament, though much harder working, is much less effective.

The only useful work is done in select committees, but this has been impeded by the petulant "non-co-operation" policy of opposition leader, Mr John Smith.

However, a start on reform was agreed by all parties in the Jopling report just prior to the last election. Subsequently, the Labour "establishment" has gone cold on this. Despite the wishes of its more sensible backbenchers, the front bench remains terrorised by a small leftwing clique opposed to any change.

Labour should put this right before embarking on "a new constitution for a new century".

Anthony Grant,
House of Commons,
London SW1A 0AA

Biographies of business

From Mr John M. Harper.

Sir, Consolation for Mr Zealander (Letters, March 17) re his complaint about the absence of biographies of modern business leaders. I am finishing a book called *The Birth of BT* – PO Telecoms and BT 1964-84. It details the achievements and approaches of Sir William Ryland, Sir Edward Fenessy, Sir William Barlow and Sir George Jefferson while they led BT and its predecessor.

Like Mr Zealander, I am Post Office – that is public sector – trained and bred. Do our two letters tell you anything about public sector attitudes? We want to learn.

John M. Harper,
11 Lullington Close,
Seaford BN25 4JH

Cover-up on the beach

From Mrs Erica de Graaff-Hunter.

Sir, Your entertaining article on worldwide beach fashion ("Art of wearing very little", March 5/6) was spoilt by a serious omission.

Germans may be covered up in the Baltics, but in the Balearics they are more or less totally uncovered – and the larger they are, the less they wear.

It becomes ratber overpowering by the end of the season!

Erica de Graaff-Hunter,
Cala Gas,
07590 Cala Ratjada,
Majorca

Finland

The letter published yesterday purporting to have been from the Finnish mission to the EU in Brussels was not sent by the mission.

Building society boards are fully accountable to members

From Mr G R Lister.

Sir, Peter Birch's suggestion (Letters, 11 March 1994) that rival financial institutions be allowed to distribute literature to building society customers takes the concept of direct mail to new extremes. Such customers might well feel that the fact that they have a mortgage or savings account with a particular society should be regarded as confidential information, and thus unavailable for distribution to any organisation that feels it would like to know their names and addresses for its own commercial advantage.

There is, however, a more fundamental point. Mr Birch draws a parallel between public companies and building societies, but ignores e crucial difference. Building society customers have paid nothing for their membership rights. It is not clear, in equity, wby those customers that happen to have such rights at a time when a third party makes a bid for a building society should be entitled to a windfall gain. The situation in a public company, owned by individuals or institutions that have put up equity capital and who face the risk of loss as well as the possibility of profit, is quite different.

Mr Birch epparently feels that building society boards are not accountable for their sctions. In fact, building societies have no monopoly over the mortgage and savings markets, as recent trends in market share show. In today's climate if they do not offer the right product at the right time to the right customers they rapidly diminish in importance, as customers take their business elsewhere.

Uniquely among financial institutions, building societies are required by their legislation to contact their members, and gain their approval, before moving into new business areas outside of their mainstream mortgage and savings activity. Moreovor, boards face their electorates at the annual general meeting each year. Over the past few years, members of societies have been elected as directors without the backing of the existing board (including a member of Abbey *National* to *its board* when it was still a building society) and this year has once again seen a hotly contested election at a large society.

Building societies' corporate governance is based on the principle of "one person one vote": votes are not for sale in the market place. Most of the shares in our large plc financial institutions are owned by other financial organisations. The question of who is accountable to whom, and how responsibility for that accountability is discharged within a relatively small group of organisations, mostly based in the City of London, is perhaps a more fruitful starting point for any investigation into issues of corporate governance than the building societies.

G R Lister,
chairman, The Building Societies Association,
3 Savile Row, London W1

FINANCIAL TIMES
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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Tuesday March 22 1994

The Korean conundrum

International frustration ia understandably growing at North Korea's refusal to allow full inspections of its nuclear facilities. With yesterday's referral of the issue by the International Atomic Energy Agency to the UN Security Council, the frustration appears to be approaching the point of western action against Pyongyang.

But in contemplating action – whether economic sanctions or something more direct – the US and its allies need to tread with the utmost caution. The latest threats from Pyongyang to turn the South Korean capital into a "sea of fire" attest that they are dealing with an adversary of uncertain motivation and highly unpredictable reactions. Moreover, they have precious few options that seem likely to influence its behaviour in the way they wish.

Part of the problem is that nobody outside has the faintest idea what is really going on in North Korea. While some western intelligence agencies claim that Pyongyang has a well-advanced programme to develop, deploy or sell nuclear weapons, other sourcea contend the North Koreans are engaged in a giant game of bluff with the aim of securing US diplomatic recognition and forestalling a German-style absorption of their country by the South. Unconfirmed rumours abound of power struggles and of the imminent demise of ruler Kim Il-Sung. More solid evidence exists of severe economic problems in North Korea, which lend an air of desperation to the regime's behaviour.

If not even North Korea'a compatriots in Seoul can read its motives and likely responses, how can the west hope to frame a well-judged policy to contain its destabilising potential?

Trade sanctions

In the circumstances, there is bound to be a temptation to ratchet up the pressure through trade sanctions. There are a number of difficulties with this course, however. First, it is far from certain that such a measure would pass the UN Security Council. A sanctions resolution would very probably be vetoed by China, still at least a nominal ally to Pyongyang. Second, it is not clear what sanctions would achieve, beyond driving the Kim Il-Sung regime deeper into its *laager*. North Korea is already an international pariah; even if China co-operated with attempts to isolate it further, an embargo would leak to an extent that would enable Pyongyang to defy it for a considerable time.

At worst, sanctions could provide North Korea – as it has frequently warned – with a *casus belli*. Althoogh some members of the Pyongyang regime might welcome such a confrontational diversion from their current plight, it is certain that hardly anyone else, in South Korea, China, Japan or the west, would relish such a prospect. Whatever the justified alarm about the implications of North Korea's alleged nuclear programme – in sparking a new arms race in Asia or setting back the international fight against nuclear proliferation – the west is in no mood to form a Gulf war-style military coalition to destroy it.

Close neighbour

Where does that leave the many countries in Asia and beyond that are anxions to neutralise the North Korean threat? Their least undesirable option is enlisting Chinese assistance in defusing the crisis. China, as a "friend" and biggest trading partner, is the only power that has a chance of bringing Pyongyang to heel. In theory, as a close neighbour, it should have every interest in co-operating to foster peace and stability in the Korean peninsula. Instability could disrupt its march towards market-driven prosperity; hostilities, as happened four decades ago, might well force it to side with a regime from which it has done much to distance itself in recent years.

The trouble is that the US – currently at loggerheads with Beijing on trade and human rights – is not best placed to seek Chinese co-operation on this issue. China, while making co-operative noises, has shown little public sign of putting pressure on Pyongyang, instead repeatedly counselling the west to show "patience".

Unfortunately, Beijing may be right. Without active Chinese assistance, the west – forced to sit tight until the Pyongyang regime collapses under the weight of its contradictions – may find patience is its only option.

Challenge of trade deficits

The UK is living beyond its means. That is the conclusion which will be drawn from statistics for the country's trade with the world outside the European Union, published yesterday. Some will go on to argue that the UK recovery is doomed to drown in a sea of current account deficits. How plausible is that view and what might it mean for policy?

As a share of gross domestic product, the UK's measured current account deficit never fell below 1 per cent of gross domestic product during the recession. On average, independent forecasters predict that it will run at about 1½ per cent of GDP during 1994 and 1995. But there are far more pessimistic views. Bill Martin of UBS global research argues, for example, that the current account deficit will rise from 2.2 per cent in 1994 to 3.3 per cent in 1995.

This forecast, bad enough on its own, is part of a grim view of economic prospects, which rests on two main points: first, that the growth of domestic demand will remain strong, notwithatanding the tax increases due in 1994 and 1995; and, second, that the supply capacity of the economy is inadequata, despite high unemployment. The UBS team forecasts inflation peaking at 7-8 per cent during the latter years of this parliament, with base rates reaching a floor around 5 per cent this year, before moving towards double digits, if oot beyond. Such views have to be taken seriously, in the light of experience and particularly when a more complacent view of economic prospects is held by most forecasters, including the Treasury.

Unfavourable trends

The current account deficit shows that there is already an excess of aggregate demand over aggregate supply, despite unemployment at just under 10 per cent of the labour force. Moreover, treods seem unfavourable. In December to February, for example, the volume of UK exports (excluding oil and the erratic items) to the world outside the European Union rose 2 per cent by comparison with the previous three months, while the volume of the equivalent imports rose by 3½ per cent. More encouragingly, the value of these exports rose by 18 per cent over the past year, while the value of imports rose by only 9 per cent. But this reflects a sharp rise in export unit values, which must threaten the future growth of export volumes.

If domestic demand were to expand at a brisk pace, there could well be inflationary pressure in sectors producing non-tradable goods and services, while the trade deficit would also rise. If foreigners were to prove unwilling to channel funds to the UK or UK residents prove unwilling to repatriate wealth held abroad in the requiaite amounts, either the exchange rate would fall, or the interest rate rise, or both. So a trend deterioration in the external balance would impose a constraint on economic growth by threatening higher inflation.

Gloomy scenario

The nature of that inflation needs to be understood. If the devaluation since September 1992 does prove insufficient to generate a financeable current account at existing interest rates, as economic demand expands, the implication is that the UK's real exchange rate remains ovarvalued.

The implication of the gloomy scenario is not that growth need stop. It is rather that the UK might find itself in tha middle of another real depreciation of the exchange rate. Such a devaluation could be achieved either over a long period, during which wages rise by less than productivity, or by a nominal devaluation of the currency. The former would be consistent with continued low inflation; but the latter would threaten a period of higher inflation.

What might this possibility mean for policy? First, the relevant measure of inflation for tha UK is that for domestic costs, principally labour costs. Second, the government must prevent the growth of nominal demand from surging as it did in the second half of the 1980s. Third and most important, a policy of high interest rates and a high exchange rate may be an unsustainable way of controlling inflation, because of its adverse long-term effects on the supply of tradabla goods and services. The fiscal alternative is being used this year and next. Higher taxes may have to be used again, in the still further future.

A push and they'll all fall down

Allegations of a plot against Yeltsin have shaken a government facing economic crisis, says **John Lloyd**

Mr Victor Chernomyrdin, tha Russian prime minister, yesterday broke off a scheduled meeting with Mr Michel Camdessus, managing director of the International Monetary Fund, and flew to Socchi on the Black Sea, where President Boris Yaltsin is reported to be recovering from a bout of flu. "I have some things to discuss with the president," he said as he took off.

The things he has to discuss with the president centre around a fully fledged allegation of a coup against him, prepared and circulated in the press and political circles over the weekend, probably by Mr Yeltsin's opponents in parliament. The rumoured attempt to overthrow the government resulted in ministers being qnestioned by the security services – as well as Mr Chernomyrdin's trip. The status of the coup is not yet clear – is it a provocation, a real plot which was aborted, or a real plot which is still in motion? The certainty is that it has convulsed a government already shivering before the prospect of an economic blizzard.

For the Chernomyrdin government has inherited an infrastructure from the communist period which is ill-equipped to translate the rigours of economic reform into even a semblance of prosperity. It struggles against tha wave of corruption and crime which the reforms have encouraged (though certainly not created) and with which tha state cannot properly cope; it has lost a parliamentary and probably also a popular constituency for radical reform and thus must enact change, if it will do it at all, against the will of the people; and it must struggle against high inflation which decimates its income and makes those who demand extra money even more desperate.

This is the economic climate with which the government must struggle and in which it is trying to persuade the IMF to release a further $1.5bn loan:

- Production across all sectors fell an average of almost 24 per cent last month compared with February last year. Mr Chernomyrdin, addressing the lower house last week, said that thousands of enterprises had stopped work and thousands more were working part-time. The crisis, he said, was made up of their inability to sell their stock, compounded by a debt crisis which means that companies owe a total of Rbs25,000bn and are owed Rbs32,000bn.
- The production of oil, Russia's most precious commodity because it is by far its most tradeable, continues to fall rapidly – down more than 14 per cent in the first two months of this year over the same period of 1993. At this rate, it will not be long before the predictions made and widely derided two years ago – that Russia will be an oil importer before the end of the decade – will come true.
- The hodget for 1994, not yet debated by parliament though it is nearly at the end of the first quarter of the year, is less of a financial document, more of a field of struggle. Its headline figures – expenditure of Rbs183,000bn and income of Rbs120,000bn, with a resulting deficit of some 9 per cent of gross national product – do not indicate the virtual impossibility of either the income being collected or the expenditure being kept to that level. The fall-off in government income, because of the effects of very high inflation on tax revenue, coupled with declining profits and the huge pressure on expenditure from practically bankrupt enterprises, from the energy producers, from the military and from agriculture mean that the real deficit could be twice, three times or even more than that advertised.
- There are two brighter spots. Privatisation, as Mr Anatoly Chubais, deputy premier for privatisation, told the lower house yesterday, is rolling along – with nearly 80 per cent of small enterprises now auctioned off, and up to 14,000 medium and large concerns also through the anction process. In addition, two huge and profitable giants – the Gasprom production and distribution monopoly and the Norilsk Nickel plant are about to come under the hammer. However, the financial condition of the privatised enterprises is generally no better than that of their state counterparts (sometimes worse), and the sell-offs have been attended by corruption in some 30 per cent of the cases (according to those who have seen security service estimates).

The other bright spot is inflation. It was down to 10 per cent a month in February and – according to Mr Chernomyrdin – is likely to stay at that level this month. The government has claimed it is following a tight budget policy this year, but for the moment inflation is still a result of decisions made in the last quarter of 1993 rather than a reflection of virtue in the New Year.

As disheartening as any other fact for Russian ministers is the obvious truth that, after more than two years of official reformism, there is little to show in the way of domestic success or foreign confidence. No western companies of size have made very large commitments to Russia. Trade has shrunk to levels where most countries can discount it as negligible; foreign bankers do not believe that Russia will pay back any real debt in the next five years; and the rouble is driving steadily down to the 2,000 to the dollar level.

The excited buzzing about investment possibilities which surrounds the names of China, India and even Vietnam is largely absent in discussion of Russia. At best, business people will tap the side of their noses and say: "There's a lot of money to be made in Russia – if you know how to bend/make/ignore the rules." But long-term business commitment comes not from knowing how to circumvent, but how to observe, the rules.

The conjunction of dire circumstances makes an agreement with the International Monetary Fund for the payment of the next tranche of the "systemic transformation facility" loan – the second instalment of a special $3bn fund designed to speed the transition from communism to capitalism – more than usually important, if Russia is to retain a reform momentum.

The loan is needed both to cover immediate hard currency expenses, such as debt servicing, but more particularly to increase waning confidence and to retain some momentum to the west's involvement in Russian reform, reaffirmed at two Group of Seven summits and likely to be at or near the top of the agenda at the G7 summit in Naples in July.

The west's involvement, now under increasing criticism in Russia and in the west itself, has, say critics, produced nothing but rhetoric by western politicians, often self-serving. The IMF and the World Bank, the two main lending agencies, say that this is at best a half-truth. They have been hampered, continually, by their inability to find partners in Russia to whom to lend.

The World Bank, for example, which takes its lead from the IMF, has been trying for months to make large loans to cover the cost of a social security network, and to assist agricultural reform. The first of these has been refused by the Russians because ministers do not want to pile up more debt and do not believe that the local uthorities, to whom the money would be passed, would pay it back. In the secood case, the various actors in the agriculture sector – the Moscow ministry and committees, the regional and local authorities, the state and collective farm managers – cannot agree on what a loan would be used for. The result is that, in two of the most vital sectors for reform, little is being done except local pilot projects.

Nothing that the government can now do would improve matters in the short term. When it does act – as it did last week when it introduced higher customs duties on a range of imported goods – it stirs up more opposition from the public (who, in the large cities, have become increasingly accustomed to buying imported food and other commodities), and protects industries which often (not always) appear indifferent to becoming competitive in world markets.

This is the geology, the sub-structure, of the turmoil we now see. A shrinking wealth, a government which struggles to find its bearings, an advanced world which cannot agree on a convincing way to assist: these are the elements which are producing an ever-deepening political crisis.

Edward Mortimer argues that the UK is treating asylum seekers as if they are the guilty ones

Avoidably detained

On the outskirts of Oxford, close to Kidlington airport, an unobtrusive sign points down a suburban side road to "Campsfield House". The road leads to a group of red brick buildings surrounded by a 20-foot high perimeter fence.

Beyond that fence, 200 people are living in a world that is part Franz Kafka and part George Orwell. In the custody of private security company Group 4, supervised by Home Office immigration officers, they are known as "clients" but are in fact prisoners, tormented by a continuous stream of Tannoy announcements, starting with a demonstration of the fire alarm at 6am. They do not understand why they are there, and they do not know when they will get out.

Most have not been charged with, let alone convicted of, any crime. They are foreigners whose right to remain in the country is being investigated by the Home Office, or whose deportation orders are being reviewed by the courts. The great majority have applied for political asylum. Most have been there for two or three months, but some claim to have been in detention for more than a year.

Last July there were 317 such asylum seekers in detention in the UK. Apart from short-term facilities at airports and police stations, the largest numbers were at Harmondsworth detention centre near Heathrow (which can hold 95) and at Haslar prison, Hampshire, which has 100 places for men. But many were also held in regular prisons.

It was ostensibly to avoid sending the "overspill" to ordinary prisons that the government opened Campsfield last November. The Immigration and Asylum Appeals Act, which came into force last July, was also intended to reduce the number of detainees by speeding up the procedure for deciding who stays and who is deported.

But the effect seems to have been the opposite. The proportion of asylum applications refused jumped from 14 per cent in the first half of 1993 to 72 per cent in the second half, while the proportion granted "exceptional leave to remain" fell from 76 per cent to 22 per cent. (The latter formula is used when applicants are considered to have a good case in equity, but do not clearly qualify as refugees under the UK's restrictive interpretation of the 1951 Geneva Convention – for instance, if they have fled from civil war, rather than from persecution directed at them as individuals.)

Those who are refused leave to remain seem to be detained, pending deportation, as a matter of course. As a result, the 200 places in Campsfield were filled atraight away, and the total number in detention is now more than 700.

Eleven days ago, 105 detainees in Campsfield went on hunger strike – not against the conditions of their detention but against the fact that they are detained at all. The Home Office reacted by moving nine of them – whose behaviour is alleged to have been "disruptive and intimidatory" – to prisons in Birmingham and near Bicester, Oxfordshire. Yesterday the number of Campsfield strikers had fallen to 80, according to the Home Office.

Meanwhile, the strike has been joined by 18 detainees at Haslar, 16 at Harmondsworth and 46 at seven other prisons across the country. This clearly poses a serious challenge to the whole policy of detaining asylum seekers.

Virtually all the Campsfiald detainees claim to have been victims of repression in their own countries, or have plausible reasons for why thay are afraid to return. Some of their stories are harrowing. A Cameroonian woman told me both her parents had died after being arrested and tortured for organising a boycott of French products. She herself had been a member of their association and had distributed leaflets, but had been able to get out of the country last September. She had left her two children aged 10 and three in the care of a friend, but had had no news of them. "I don't know if they are alive or not," she says.

Needless to say, the truth of such stories is not easy to establish. No doubt some are invented and others axaggerated. It is the job of the Home Office and the courts to decide in each case. What seems bizarre, however, is that applicants are in effect treated as guilty until proved innocent.

Mr Charles Wardle, immigration minister, has said that "if they decide to leave the country, they are perfectly free to go". That means, of course, that they are free to be deported to their countries of origin. But the asylum seekers contend that they would not be safe in those countries.

Mr Wardle has also explained that "if they don't comply with restrictions while they are here, a tiny proportion [of asylum applicants] are detained while their cases are being considered". Those I spoke to said they were quite willing to comply with any restrictions, only no such option had been offered.

Many of the detainees are gennine political activists: intelligent, articulate, middle-class people, who have had the courage to stand up for human rights and democracy against corrupt and dictatorial regimes. Just the kind of people, in fact, that Britain claims to support. "Before we came here," they said in the statement announcing their hunger strike, "we knew that the UK is the leading country in the world in human rights." Sadly, they now know better.

OBSERVER

Pro Bono publico?

■ Edward de Bono, the skilled self-publicist who has made himself a name for thinking laterally, believes the time has come for a fresh approach to the world's economic problems. Ten out of ten so far.

As well as writing in yesterday's FT on the need for a bit of imagination in tackling employment issues, he's crafted a think-tank paper for the Centre for the Study of Financial Innovation. In the latter, he proposes inventing something called "target currencies", with companies like IBM creating their own economies by issuing their own currency.

De Bono says the idea could be extended to cover sectors; people would be paid in "housing currency" or "luxury goods currency" or "supermarket currency".

He believes this would enable governments to manage the overall economy much more selectively – particular sectors could be stimulated without triggering all-round inflation. A secondary market would enable people to trade between different types of currency. "It would be like the human body with membranes separating the various currencies."

He points to examples already existing in prototype: the US Food Stamp programme and Singapore's Central Provident Fund, which holds a portion of people's salary but allows them to borrow against it or invest it.

Oh, of course; socialism with a human face.

High table

■ What is it about even the most sophisticated women's networks that makes them ever so slightly naff? After last Friday's seminar on Power and the Media, organised by the pukka women's networking organisatioo Forum UK, delegates were allocated to "dine-arounds" (ugh!) in members' houses, while on Saturday there followed an "optional" lunch with Lord and Lady Astor. Despite the cover charge of £75 a head, Lord Astor's private Kentish home was "oversubscribed". Luckily, Lord Mountbatten volunteered to feed and water the overflow.

Içi EC?

■ Whatever prompted Theo Waigel to stop by yesterday's meeting of European Union finance ministers? The German finance minister graces such gatherings but rarely – and then generally only in times of crisis – to the extent that peers have taken his absences as a calculated snub to the European cause.

So why should the garrulous Bavarian have changed his ways? Could it just be that his thoughts have turned to the early summer nomination of his country's two new European commissioners? Waigel will have none of it – "it is all very flattering but there is no question [of my candidacy]," he made out yesterday.

Still, the attractions of a perk-filled five-year spell in Brussels cannot have escaped Waigel as be labours to contain the costs of unification, and attempts to put behind him his failure to secure the Bavarian premiership.

Indeed, in the run-up to the geoeral election, a certain cageyness would be understandable. His predicament is nothing compared with that of chancellor Kohl, who has to choose his commissioners some four months before he knows whether he has a mandate to govern the country beyond October.

'Soon we'll have the know-how to make our own nuclear inspectors'

Apart-hate whine

■ Disquieting news for those who made the supreme sacrifice by boycotting Sonth African wine during the long hard years of apartheid. Their pain was in vain, it seems. For if they turned to Bulgarian wine as an acceptable, reasonably priced substitute, they were in fact quite likely to have been drinking Stellenbosch's finest.

South African wine producers proved themselves a cunning adversary; they successfully marketed their product in Europe and elsewhere through obliging Bulgarian middlemen. Cheers: or *Totsiens*, as they say in Afrikaans.

On your marks

■ At least someone in the Tory party is preserving a sense of humour. As the government braces itself for a series of electoral disasters, the organisers of this weekend's spring conference in Plymouth have obviously been thinking through the consequences.

Doesn't the juxtaposition of Michael Heseltine, Kenneth Clarke and John Major speaking in rapid succession at the close of proceedings look a trifle like a dress rehearsal for an autumnal leadership battle?

Paisley pattern

■ Raised eyebrows at Downing Street yesterday. Journalists covering John Major's meeting with Ulster's Reverend Ian Paisley were intrigued to see the red carpet treatment laid on for the hardline Democratic Unionist party leader.

But, as Paisley knows, appearances can be deceptive; the carpet was actually rolled out in honour of the lunchtime visit of the Kazakhstan president. After a meeting-turned-slanging match, Paisley was escorted out of a side entrance to address the waiting hacks.

Creased up

■ Who bought the 117m pairs of male socks, 73m male underpants and 12m male vests sold in the UK last year? (Vests? you mean those funny string things with holes in that your mother made you wear?) Out of 1,500 adults questioned by market researchers Mintel, about a third of the men said they never bought any of those items but left it to women. If only they left their outer garment purchases to women the world might be a better place.

FINANCIAL TIMES
Tuesday March 22 1994

Row over decision-making puts EU enlargement timetable in jeopardy

MEPs reject votes compromise

By Lionel Barber and David Gardner in Brussels and Kevin Brown in London

France and Germany will today exert heavy pressure on Britain and Spain to try to resolve the crisis over voting rights in an enlarged European Union.

Neither London nor Madrid appeared ready yesterday to soften their position at today's meeting of foreign ministers in Brussels. The issue could force the EU to delay a decision on new voting arrangements, jeopardising an already tight timetable for entry of Finland, Sweden, Austria and Norway by January 1 1995.

The European Parliament further damped hopes of a solution being reached today. The largest group in the Strasbourg assembly, the Socialists, yesterday rejected the compromise being offered to Britain and Spain.

Mr Jean-Pierre Cot, leader of the Socialist MEPs, said: "What is at stake is the whole concept of a future Europe."

The European Parliament has to approve the accession treaty by May 4 to make it possible for the four newcomers to enter by January. But the Strasbourg assembly has said it will withhold assent if Britain and Spain win their demands to retain the "blocking minority" at 23 votes in the Council of Ministers, allowing two large and one small member states to obstruct decisions.

London and Madrid's 10 partners insist the blocking threshold should rise to 27, since the weighted votes in Council will rise from 76 to 90. But as a compromise, they are prepared to offer a two-month delay on decisions which are opposed by 23 votes, to try to get consensus.

Mr Cot said yesterday that "there is no chance of having any sort of mixed solution go through [the European] Parliament, such as a two-month cooling off period, which would only exacerbate delays in decision-making."

Mr Kenneth Clarke, the UK chancellor of the exchequer, repeated that Britain was determined to keep the weight of voting power with the larger EU states. "The situation now, where two large and one small country can block a decision, is perfectly satisfactory," Mr Clarke said in Brussels. "I am not prepared to see a situation develop where a collection of small states can vote down a collection of bigger ones."

Mr Douglas Hurd, UK foreign secretary, was more conciliatory, but he indicated it was unlikely a solution could be reached today. The Union had to find a way through the voting impasse, he said, during a visit to Dublin. "We may not do so in Brussels tomorrow [Tuesday], but we will persevere until we do."

Mr Clarke said that it was "absurd" to blame Britain for delaying enlargement. It was wrong to assume enlargement automatically meant changes to make decision-making easier at the expense of the minority.

But a long-serving EU diplomat accused the UK government of "lying" about its earlier position. He said all 12 member states, including Britain, had agreed at the EU summit in Lisbon in June 1992 that the admission of the four Nordic and Alpine countries would require a "mechanical" adjustment in voting weights.

Brussels censured over financial waste

By Lionel Barber in Brussels

The Court of Auditors of the European Union yesterday attacked the European Commission for its poor financial management, weakness in tackling fraud and obstruction of efforts to track down waste.

Mr André Middlehoek, president of the Court of Auditors, identified "numerous administrative and control weaknesses" in Brussels and among member states in spending on regional aid and farm subsidies.

He told a meeting of EU finance ministers in Brussels that the Commission would like to pretend that the problems reported were no more than isolated "accidents" which the Court had extrapolated in an "irresponsible" way. "The contrary is true," he said.

The Court's report on the 1992 Ecu68bn ($75bn) EU budget calculated that some Ecu170m had been wasted in irregular outlays and lost receipts. But only 7 per cent of the amount deemed recoverable had been clawed back, Mr Middlehoek said.

The UK, the Netherlands, Denmark and Germany are pressing for tougher action against fraud and tighter controls on spending. Britain will tomorrow propose in Brussels that member states make fraud against the EU budget punishable in the same terms as fraud against a national budget.

The Commission will respond this week with measures to combat fraud, including a blacklist of companies and individuals found violating EU rules. Mr Peter Schmidhuber, the EU budget commissioner, will also press for extra staff and closer co-operation with national police and customs forces.

The Luxembourg-based Court of Auditors has assumed a higher political profile as a result of the Maastricht treaty, which calls upon EU institutions to co-operate more closely to save money and prevent waste.

Mr Middlehoek criticised the practice which gives the Commission a right of reply to comments in the Court's annual report. It was disturbing that the Commission "seems to consider that it should always have the last word, even with regard to those conclusions of the Court which can only be finalised in the light of the Commission's replies to the Court's comments".

He added that the Court's staff had difficulty verifying the Commission's internal audit because of "restrictions placed by certain services of the Commission", including access to the main computer system.

Tax fears embarrass German opposition

By Quentin Peel in Bonn

Germany's opposition Social Democrats were attempting to save themselves from an electoral own-goal last night after stirring public fears with a commitment to raising taxes on higher-income earners.

The party leadership, surprised by a setback in local elections at the weekend, claimed that government ministers and their supporters in the German press were deliberately distorting the tax plan to suggest it would affect a majority of taxpayers.

The emergence of concerns in the Social Democratic party (SPD) comes only a week after it emerged as clear victor in the first of Germany's 19 state and national polls, and a few days after it confidently announced a draft election platform.

The proposal to impose a 10 per cent "solidarity surcharge" only on the better-paid, instead of the present plan for 7.5 per cent from all income taxpayers from next January 1 has aroused criticism from Chancellor Helmut Kohl's government and from many SPD supporters.

Banner headlines in the mass-circulation Bild newspaper denounced the "tax hammer" of Mr Rudolf Scharping, the SPD leader. It said income earners on a gross salary of DM3,846 a month would be affected – more than half of all taxpayers in the country.

Chancellor Kohl and his Christian Democratic Union, which is lagging far behind the SPD in the opinion polls with seven months before the general election, seized on the tax plan with undisguised glee. Mr Peter Hintze, the CDU general secretary, said Mr Scharping was "demolishing his own election chances".

Some commentators suggested that the drop in SPD support in the local elections in northern Schleswig-Holstein at the weekend – where its vote dropped from 42.9 per cent (in 1990) to 39.5 – was partly due to the tax furore. The CDU also lost support, down from 41.3 to 37.5 per cent.

Last night the SPD leadership insisted that its opponents were deliberately misinterpreting its tax plans, which it said would add no more than DM23 a month to the tax bills of the top 17 per cent of taxpayers.

Its defence came too late to prevent Bild Zeitung from another blistering attack yesterday morning. Under the headline "Are we really rich, Mr Scharping?" ordinary German workers, including a carpenter, a railway worker and a child minder, claimed to have incomes above the surcharge limit.

Gates and McCaw launch $9bn global telecoms system

Continued from Page 1

receive digital signals from telephone directory-sized receivers and small antennas installed in homes and businesses. Each satellite would, in effect, be a telephone switching system.

The small satellites could be launched in clusters, reducing the cost. However, low-orbit satellites tend to fall out of their orbits far quicker than the 22,300-mile-high geostationary satellites now used for telephone communications.

They must therefore be replaced more frequently, adding to the cost of maintaining the system.

Teledesic has yet to begin raising the $9bn needed to build the satellite system. It aims to draw together a broad alliance of manufacturers, telecommunications companies and governments to back the massive effort.

Regulatory approvals would be required from the governments of the countries to which the system offered services. Alliances would also have to be formed with telephone companies all over the world. If it gets off the ground, Teledesic faces competition from less expensive satellite projects such as Motorola's Iridium, which will provide mobile communications to car drivers. Teledesic also envisages rivalry from stationary wireless communications services.

Motorola has spent three years raising $800m to launch Iridium, which is expected to cost a total of $3.4bn. The new venture would also have to compete with Iridium for funding.

According to Mr Russell Daggatt, Teledesic's president: "The real promise of the system is to bring access for rural and remote areas of the world to the health and education services that you get in major urban centres".

FT WEATHER GUIDE

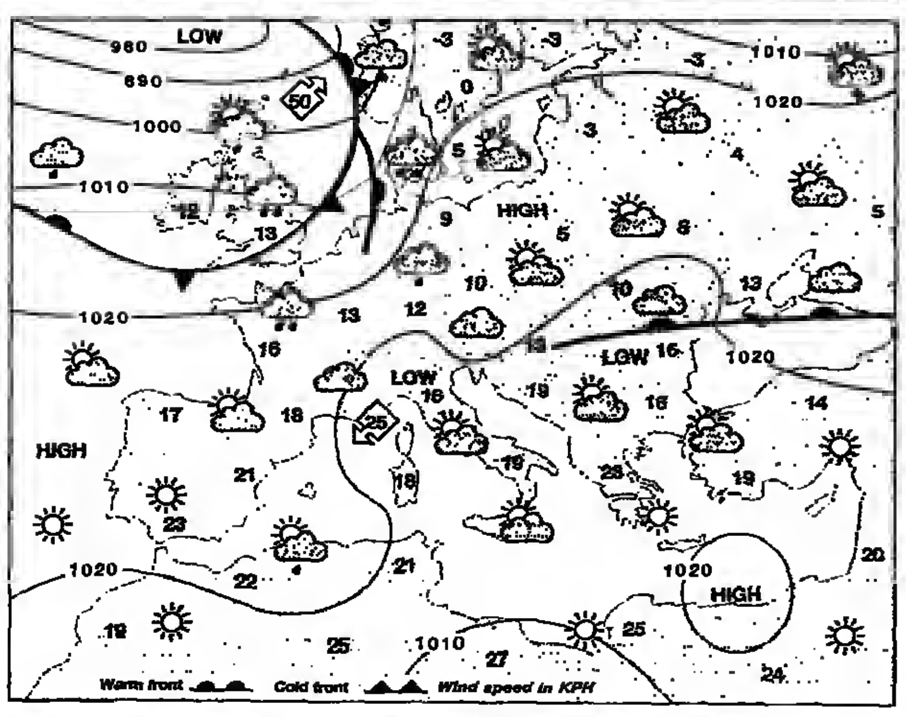
Europe today

A zone of low pressure near Iceland will bring rain to England. Ireland and Scotland will have broken cloud and scattered showers. Rain will also spread over the Benelux, northern France, and western Germany. During the afternoon, southern Scandinavia will also have rain, while the higher areas will have snow.

Further north, conditions will remain dry with sunny spells. Sub-zero temperatures will however persist. Central Europe will have mainly dry conditions, with some sunshine. The Mediterranean will have plenty of sunshine. Southern Spain will be particularly warm, with afternoon temperatures as high as 26C.

Five-day forecast

Conditions in northern and western Europe will remain unsettled, with showers. The UK and all coasts upon the North Sea will be windy. There may be gale force winds on Thursday. Conditions elsewhere will be generally mild. Temperatures will be between 10C-15C. At the end of the week, cooler conditions with sunny spells are forecast. Southern Europe will have fair weather, with plentiful sunshine and afternoon temperatures above 20C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	shower	11	Cardiff	cloudy	12	Frankfurt	fair	13	Malta	fair	21	Rio	fair	31
		Celsius	Belgrade	fair	19	Chicago	sun	21	Geneva	cloudy	12	Manchester	rain	13	Riyadh	sun	30
Abu Dhabi	fair	30	Berlin	fair	9	Cologne	cloudy	13	Gibraltar	sun	23	Manila	cloudy	29	Rome	fair	17
Accra	fair	32	Bermuda	fair	23	D' Salaam	fair	31	Glasgow	shower	11	Melbourne	sun	24	S. Frsco	rain	14
Algiers	fair	19	Bogota	fair	21	Dakar	sun	25	Hamburg	shower	10	Mexico City	fair	26	Seoul	rain	11
Amsterdam	rain	10	Bombay	fair	32	Dallas	sun	23	Helsinki	fair	1	Miami	shower	29	Singapore	cloudy	29
Athens	fair	20	Brussels	rain	12	Delhi	fair	33	Hong Kong	cloudy	19	Milan	fair	19	Stockholm	fair	5
B. Aires	cloudy	22	Budapest	shower	10	Dubai	sun	31	Honolulu	cloudy	28	Montreal	shower	2	Strasbourg	cloudy	13
B'ham	rain	13	C.hagen	cloudy	6	Dublin	fair	13	Istanbul	fair	15	Moscow	fair	0	Sydney	fair	21
Bangkok	cloudy	34	Cairo	sun	23	Dubrovnik	fair	18	Jersey	rain	13	Munich	cloudy	12	Tangier	sun	21
Barcelona	fair	17	Cape Town	fair	28	Edinburgh	shower	13	Karachi	fair	31	Nairobi	fair	25	Tel Aviv	fair	20
Beijing	fair	10	Caracas	fair	27	Faro	sun	21	Kuwait	fair	28	Naples	fair	19	Tokyo	cloudy	14
									L. Angeles	fair	16	Nassau	fair	30	Toronto	sun	7
									Las Palmas	fair	21	New York	shower	8	Tunis	cloudy	20
									Lima	sun	25	Nice	fair	17	Vancouver	shower	8
									Lisbon	fair	22	Nicosia	fair	22	Venice	cloudy	17
									London	rain	13	Oslo	sleet	3	Vienna	cloudy	10
									Lux.bourg	cloudy	11	Paris	cloudy	14	Warsaw	fair	5
									Lyon	cloudy	14	Perth	fair	34	Washington	fair	13
									Madeira	sun	18	Prague	fair	10	Wellington	shower	16
									Madrid	sun	20	Rangoon	cloudy	31	Winnipeg	fair	5
									Majorca	fair	18	Reykjavik	shower	3	Zurich	cloudy	12

THE LEX COLUMN

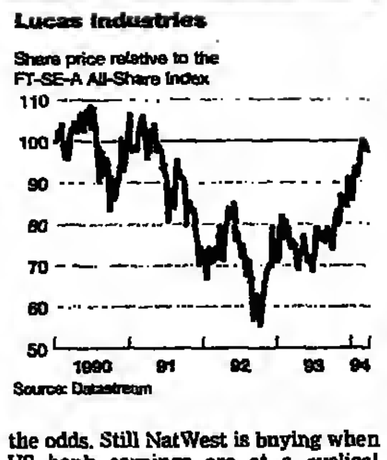
Bright spark at Lucas

Progress is being made restructuring Lucas Industries, but there is still a sense that the company is waiting for Godot. Mr George Simpson is due to take over as Lucas's chief executive at the end of the month. Until he has had a chance to walk around, kick the tyres, and decide how much more time is needed in the body shop, it is difficult to see whether the company will prove an economical little runner.

Like several other component manufacturers, however, Lucas is already insisting that it can earn margins of 10 per cent. That sounds fanciful when margins were only 9 per cent even at the height of the boom in 1989. But quantum jumps in productivity from new manufacturing plant, rationalisation benefits, and the disposal of low margin contracts, will all help meet the boast. Mr Simpson may well drag some reluctant sacred cows to the block. Cuts in working capital – principally stocks – could also reduce borrowings substantially.

If the management performs, thoughts will turn to growth prospects. Expanding the braking business is an obvious possibility, though persuading another British manufacturer to sell may be more difficult. Still, double-digit margins, growth and lower interest costs by 1996-97 implies profits of over £250m. Heady stuff, since even the famously naked dividend would then be covered three times. Unfortunately, the market already seems to know that, and the company is trading at 10 times the most optimistic earnings estimates three years out. Mr Simpson will be hard pressed to make the shares perform from here.

FT-SE Index: 3198.0 (-20.1)



Source: Datastream

NatWest

There are echoes of old follies in National Westminster's decision to spend $500m on Citizens First Bancorp. At nearly 2.5 times net assets, the price looks high. If NatWest itself were trading on the same multiple of book, its price would be nearer 800p than 472p. It thus looks vulnerable to the accusation of paying through the nose to build up its US business. But that does not necessarily warrant yesterday's 3 per cent slide in its share price.

In the group context this is a small deal which will add only around 1 per cent to total assets. Citizens will enhance NatWest Bancorp's distribution network and bring useful efficiency gains. Because of that it may have been worth paying a little over the odds. Still NatWest is buying when US bank earnings are at a cyclical high. The acquisitions trail would have been cheaper a couple of years ago, although it was then still wrestling with its own problems in the US.

Nor is the strategic relevance clear. The wholesale business of NatWest Markets requires a US presence but retail banking need not be global. The diversification argument has lost credibility given the simultaneous impact of the recession on both sides of the Atlantic. The justification must be that NatWest can see a high return in the US. That may be possible at the moment, but relative returns may look less favourable once UK provisions are back to normal. NatWest Bancorp will then have to sweat harder given the price paid for Citizens.

Argos

Argos has done well from the dour business of selling its vast range of consumer goods more cheaply than the competition. On the evidence of yesterday's figures, the formula is far from running out of steam. Second-half sales growth from existing stores of 8 per cent is especially impressive, although that rate of improvement will be difficult to sustain whether or not next month's tax increases dampen consumer spending. While its new stores are performing well, Argos stands out as a retailer delivering decent sales growth without surrendering much by way of margin.

The nagging worry is that margins might have to be sacrificed in order to remain the cheapest retailer in town. So far any such price initiatives have come from the company itself, and compensating efficiencies have been found. Limited price wars have been dealt with by surrendering market share, as was the case last year in DIY. The wider danger is that Argos will find its cost advantage gradually eroded by specialist retailers with greater purchasing muscle in each of its product areas.

That is all the more reason for Argos to sow the seeds of diversification. With average cash balances running at over £100m, it has no shortage of resources. The costly flop that was Chesterman should not argue against other, better-timed initiatives. While the cash pile is not yet large enough to demand immediate action, a sensible move to spread its bets cannot come soon enough.

Hong Kong

There is no shortage of excuses for the sharp fall in the Hang Seng index which has left it nearly 30 per cent below its peak. US interest rates have turned up. There are growing worries about the Chinese economy over-heating, not to mention the impact on the territory's trade if the US refuses to renew China's most-favoured-nation status. Even taken together, though, these factors do not seem to warrant such a steep fall in equities. The real cause has been withdrawal of liquidity by US hedge funds and other speculative international investors. The question is whether the decline has now gone on far enough to attract long-term buyers again.

Yesterday's pick up in volume suggests this point might be close. So far, the results season has lived up to expectations or even, as yesterday with TVB and CITIC, exceeded them. The consensus puts the market on a prospective p/e of between 12 and 13, which is hardly expensive.

Admittedly a further rise in US interest rates would damage confidence in the property market, which must be close to its top. But it would also be easy to over-estimate the impact of higher rates on corporate earnings even if they were passed on to the local market. Hong Kong would probably continue to enjoy negative real interest rates, while the corporate sector itself is under-geared. If one believes the US needs China's support in curbing North Korea's nuclear aspirations, the MFN threat may even recede. That would leave trading companies looking particularly good value for anyone with the courage to climb back on board.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday March 22 1994

IN BRIEF

Sell-off candidate advances 32%

Union des Assurances de Paris (UAP), the insurance group which is the next in line for France's privatisation programme, has reported a 31.8 per cent increase in net profits to FFr1.42bn ($230m). Page 20

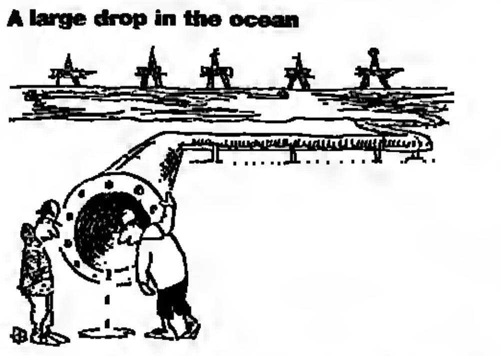
Kemper gives list to GE Capital
Kemper, the US financial services group, is preparing to hand a list of its shareholders to GE Capital, in a move which would allow the General Electric subsidiary to step up its $2.2bn campaign for control. Page 22

Citic Pacific advances 81%
Citic Pacific, the Hong Kong-listed arm of the Beijing foreign investment company, has unveiled an 61 per cent advance in net earnings to HK$1.89bn (US$244m) for 1993. Profits were swollen by a string of acquisitions. Page 23

Big aims from Badgerline
Badgerline, the UK bus operator, is offering £38m ($56m) for Rider, the leading supplier of bus services in West Yorkshire. Badgerline said the enlarged group would be the largest private sector bus and coach operator in the UK. Page 26

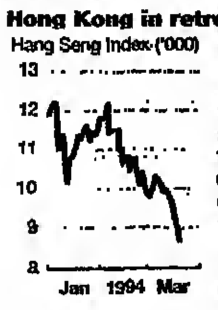
Housing recovery helps Wilson Bowden
Pre-tax profits at Wilson Bowden, the housebuilder, jumped almost 85 per cent last year to £31.3m ($46m) due to the UK housing recovery. Mr David Wilson, chairman, described it as a "magnificent performance". Page 28

A large drop in the ocean



Oil companies operating in Norway may suspend activity in the Barents Sea after 13 years of disappointing results from 52 exploration wells costing an estimated NKr10bn ($1.3bn). Page 30

Hong Kong in retreat



Hong Kong was in retreat as a combination of economic and political developments at home and abroad conspired against it. The fall-out was felt elsewhere in south-east Asia. Japan, on the other hand pulled ahead as foreign investors, particularly in the US, rebuilt their holdings. One analysis suggests the Hang Seng index will drop to the 7,700 level before institutional buyers will be enticed back. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
KB Deutsche	298	+	6.5
Falls			
Dresdner Bk	398.5	-	7.5
MAN Prf	342	-	5
Preussag	465.5	-	12.3
RWE Prf	355.5	-	10.5
Zanders Feinpp	228	-	6.2
NEW YORK ($)			
Rises			
Baltimore Banc	19¾	+	1½
Cadence Design	15⅞	+	1¼
IBM	58½	+	1½
Falls			
Hershey Foods	47⅛	-	2
Intl Paper	65⅝	-	1⅞
20th Century	20⅛	-	1⅛
PARIS (FFr)			
Rises			
Club Med	418.5	+	8.5
Falls			
Credit Natl	614	-	14
Saint Gobain	672	-	16
Simco	580	-	26
Thomson CSF	195.3	-	5.7
Unibail	571	-	15

Japan closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Chrysalis	146	+	7
Delaney	13½	+	1¼
Everest Foods	67	+	5
ML Labs	234	+	9
Regent Corp	29	+	2½
Trafford Park	97	+	6
Falls			
Antinax	63	-	7
Avesco	92	-	6
BPP Hldgs	225	-	20
Carlton Comm	940	-	23
De La Rue	980	-	41
Eurocopy	68	-	8
Flextech	385	-	15
GWR	936	-	28
HSBC (75p shs)	760	-	27
Lucas Inds	209	-	10
Manchester Utd	678	-	21
NatWest Bank	472	-	13
Reed Intl	848	-	21
Rodime	28	-	4
Saatchi & S	143	-	6
Sharelink	355	-	19
Tay Homes	211	-	42
Wembley	10½	-	3½

Porsche to pursue work for other makers

By Christopher Parkes in Frankfurt

Porsche is to branch out further from its niche as a luxury sports car maker and expand its business of building cars for other manufacturers, it emerged yesterday.

"Great efforts" are to be made to build small-volume contract manufacturing into "a strategic business sector", according to a rights issue prospectus published yesterday.

Negotiations are under way to add to Porsche's existing manufacturing contracts with Mercedes-Benz and Audi, the Volkswagen group's quality car division.

Mr Wendelin Wiedeking, Porsche chairman, said recently that his new negotiating partners were "not necessarily" German.

The contract with the Daimler-Benz subsidiary, under which Porsche makes the Mercedes 500E series, is due to expire later this year. However, the company has just started production of the Audi Avant RS2, a high-performance estate car. This 50:50 joint venture is a brainchild of Mr Ferdinand Piëch, VW group chairman, who also owns an estimated 10 per cent of Porsche.

According to information released ahead of today's opening of the subscription period for the one-for-four DM200m ($110m) rights issue, Porsche expects to build 16,000 of its own cars this year and 2,000 for third parties. Orders have already been booked for 560 Audi RS2s.

The aim of the rights issue is to help meet estimated development costs of DM1.5bn for two new sports cars, due to be launched in 1996-97. Subscriptions for the issue, offering new shares at DM575 for both ordinary and preference shareholders, must be in by April 7.

It also emerged yesterday that the Porsche and Piëch families, which own all Porsche's voting stock, recently reduced their holdings of preference shares.

Less well-off members had sold part or all of their non-voting stock to cover the cost of their entitlement to new ordinary shares, a company spokesman said. He did not know how many of the preference shares – previously estimated at 40 per cent of the 875,000 outstanding – remained in family hands. That was a private matter, he said.

Porsche made a DM114m loss in the six months to January, despite increasing turnover by almost 20 per cent to DM980m.

Forecasting sales of more than DM2bn and a deficit of DM140m-DM150m for the full year, after a DM240m loss last time, the company said total deliveries to customers had increased by 6 per cent to 7,033 cars in the first half. Deliveries of Porsche marque cars had risen 8 per cent to 6,600.

The company expects to break even in the 1994-95 financial year.

■ Financial toll set to double ■ Companies increase provisions after seeing claims

Insurers face $4bn California earthquake hit

By Richard Waters in New York

The financial toll of January's California earthquake seems set to rise sharply to as much as $4bn, following yesterday's announcement by another big US insurer that it has raised its estimate of losses.

Allstate, the US insurer with the second-biggest exposure to the earthquake, said it now expected the disaster to cost it $600m, rather than the $350m it estimated before.

The increase followed an inspection of most of the 38,000 claims received from policyholders, the company said. Many revealed more serious damage than expected.

Another US insurer, 20th Century Insurance, said on Friday it expected the earthquake to cost it $325m, more than double its original estimate of $162m. The company, based in Los Angeles, warned that the costs would wipe out a quarter of its net worth.

Mr Jack Snyder, an insurance analyst at AM Best, the US ratings company, said the two announcements reflected a general trend among US insurers to revise their loss estimates upwards by between 50 and 100 per cent.

The revisions suggested the total insured losses from the disaster, put a month ago at around $2.5bn, were likely to be more like $4bn, he added.

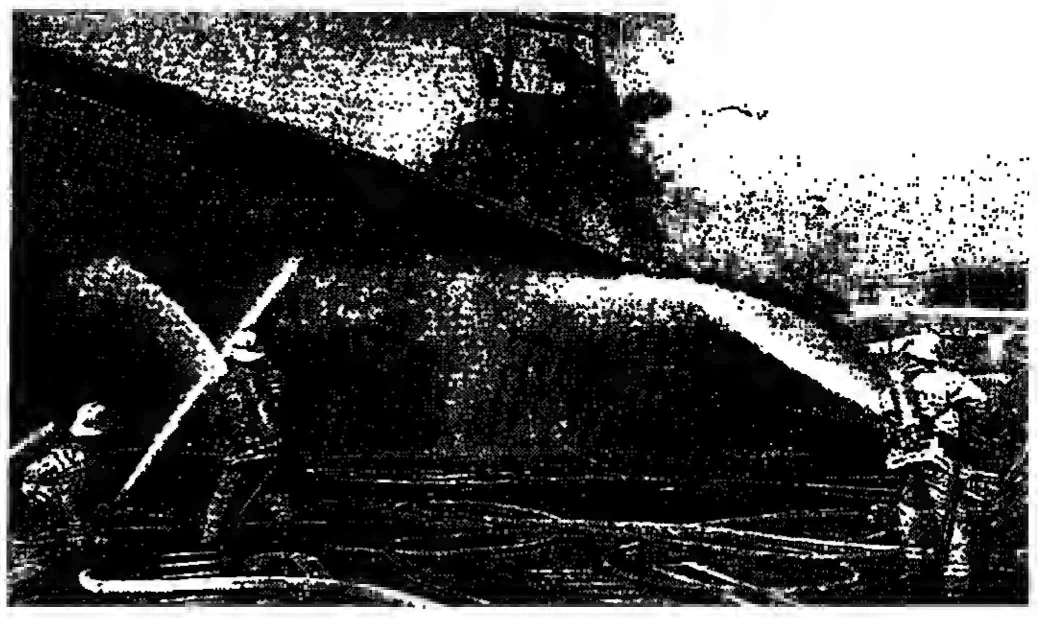
Allstate estimated its market share of Californian homeowners insurance policies at 15.6 per cent, behind State Farm, the market leader. State Farm has yet to revise its expected losses, but the cost to the company could be $1bn, said Mr Snyder.

The higher level of losses is unlikely to be reflected in catastrophe insurance premiums until the end of the year, when most policies are renewed.

Allstate said the revision meant it would report a pre-tax charge of $750m in all in its first-quarter results to reflect catastrophe losses, with the remainder of the losses coming from bad weather. The losses would result in an operating loss for the quarter of 30 cents a share, and a net loss of around 15 cents a share, it added.

● Lloyd's of London said yesterday that the insurance payouts as a result of the Los Angeles earthquake were unlikely to be large enough to trigger any payments from its reinsurers.

Payments so far from London reinsurers for the earthquake were $20m from non-marine and just $207,000 on aviation insurance policies. These were only triggered once claims in the US had risen above $3bn.


AP
The aftershocks continue: The front of a Los Angeles shopping centre collapses as firefighters douse the flames yesterday after the earthquake which struck the area on Sunday

Investor wants size of UBS board cut

By Ian Rodger in Vienna

BK Vision, an investment fund that is the largest shareholder in Union Bank of Switzerland, is proposing that the bank cut its board membership from 22 to a maximum of nine.

BK has used a new provision in Swiss company law entitling large shareholders to put motions to an annual meeting, and asked that a resolution to this effect to be put to the UBS annual meeting on April 29.

It has also submitted a motion that would require the nomination of each director of UBS, Europe's largest bank by market value, to be put to a separate vote by shareholders.

This is the third issue on which BK, which is controlled by Mr Martin Ebner's BZ Bank, has tangled with UBS. A year ago, it complained about the bank's decision to sack Mr Christoph Blocher, a BZ ally, from the board. And it took the bank to court over the creation of equity capital that could be used to make acquisitions without prior shareholder approval.

At the end of last year, BK, which promises investors it will take an active role as a shareholder, held 9.6 per cent of the total UBS equity, worth SFr1.8bn, and 17.6 per cent of the registered shares. Mr Kurt Schiltknecht, a BK director, said the fund, which raised SFr480m ($324m) in a rights issue in January, had not reduced its UBS stake since then.

Mr Schiltknecht said it was widely accepted that large boards were ineffective in representing shareholder interests.

UBS said it would recommend that shareholders reject the BK motions. It added that as a large and influential institution within the Swiss economy, it had to have leaders on its board from different regions and sectors, and they had to represent not only shareholders but also employees and clients. The bank pointed out that the executive committee of the board, comprising eight people, formed the hard decision-making body BK wanted.

Mr Schiltknecht said the best thing the bank could do for the Swiss economy would be to remain successful. He said the executive committee still had to refer decisions to the board and the political influence there could be strong.

The BK motion would require two-thirds of the shares being voted at the AGM.

NatWest pays $500m for New Jersey bank

By Alison Smith

National Westminster Bank, the UK's second biggest bank, yesterday announced that it was buying Citizens First, the New Jersey retail bank, for $500m (£340m). The US bank will be merged with NatWest Bancorp, the bank's existing US retail operations.

The purchase is the most substantial by a British bank in the US since the losses endured in the late 1980s, although the Royal Bank of Scotland has made a string of smaller acquisitions for its Citizens Financial Group US subsidiary.

The move strengthens NatWest Bancorp's position in northern and central New Jersey, particularly in Bergen county which is one of the richest areas in the US. NatWest is paying $9.75 per Citizens First share – 2.47 times estimated book value at the end of last year. The deal will be funded by cash and an ADR issue in the US, and A maxiCitizens First shareholders will be able to choose between them.

Mr Derek Wanless, group chief executive, said that the acquisition of Citizens First, the last independent commercial bank in the northern part of New Jersey, would move NatWest Bancorp from 17th largest in Bergen county to second. The addition of about 250,000 customers to NatWest Bancorp's existing 1m, will give it some 10-15 per cent of the local personal banking market.

NatWest expects to make 30-35 per cent cost savings within 24 months, and also predicts an enhanced income stream from selling NatWest products to Citizens First customers.

Analysts said that the move was not a great surprise in terms of NatWest's strategic development in the US, since the bank had signalled that it had not finished building its US business. The transaction raises NatWest Bancorp assets to $26bn.

However, they questioned whether NatWest might be paying too much. Mr Chris Ellerton, at SG Warburg, highlighted US equity market fears that US banks had hit a cyclical peak. Mr Rod Barrett, at Goldman Sachs, said that in the near term it might seem "a bit pricey", though in the longer term it would probably work out to be reasonable value.

After the merger, NatWest Bancorp will have a branch network of 183 offices in New Jersey and 127 in surrounding areas.

Lex, Page 18

Alison Smith explains the impact on UK financial services group of giving poor advice

Pension groups put a little aside for the future

Legal & General last week became the latest UK life insurer to admit to making provisions to cover potential compensation to people who suffered from poor advice to transfer out of an occupational pensions scheme. But it refused to reveal the extent of its provisioning.

There is no reason to expect Prudential – the UK's largest life insurer – and Sun Alliance, whose annual results are due today and Thursday respectively, to be more forthcoming.

National & Provincial, the UK's eighth largest building society (with pre-tax profits of £121m [$179m]), is one of the few to give any figures: £2m provisions in respect of its 850 pension transfer cases.

If the same level of provisioning was adopted by other insurers, banks and building societies, the total for the 500,000-plus pension transfers sold since 1988 would be well over £1bn.

Mr David Prosser, L&G chief executive, argued that to reveal the figures for provisioning, or even to give an "order of magnitude", would be unhelpful as it would fuel speculation.

There is a risk that refusing to give any indication may lead the market to think that the position for individual companies is worse than it will turn out to be. It is true, however, that firm judgments about provisioning and compensation arrangements must await the work of the Securities and Investments Board, the City's chief regulator.

The SIB's guidance is due to be published in July. But next month it will tell organisations which are the priority categories – such as people coming up to retirement or who transferred out of index-linked schemes.

Some important issues bearing on the cost of compensation remain unresolved – including the basic question of who should be eligible.

As the life insurance industry never tires of pointing out, even in files where the information recorded is seriously incomplete, customers could still have received satisfactory advice and be better off than if they had stayed in their previous employers' schemes. In many instances the question will be more complex – for instance, where a customer received advice that was suspect at the time of the decision but which seems to have been vindicated because of the buoyancy of the stock market.

Figures suggest the total bill may be nearer £500m than £1bn

Even after the rules for who should be compensated have been set, the question of how to do it remains unanswered.

The life industry and its regulators believe that compensation should be settled promptly, rather than leave organisations with liabilities stretching on until their pension transfer customers reach retirement.

The SIB proposals seem likely to offer some variant on giving the victim of poor advice the choice of either staying in a personal pension – enhanced with some "top-up" payment from the life company – or being reinstated in the scheme of their previous employer.

The costs of reinstatement vary according to the scheme from which the lump sum was transferred and the performance of the personal pension. But some idea of possible sums can be drawn from examples given by Mr Mike Wadsworth, a partner at consulting actuaries, R Watson & Co.

The illustrations cite a 35-year-old man with 30 years to normal retirement and 10 years' service with his ex-employer, transferring a lump sum of £10,000 from a scheme providing 1/60th of pay for each year of service.

If he had transferred out of the scheme on March 1, 1989, it would cost almost £19,600 to reinstate him on March 1, 1994, plus perhaps £200 in administrative charges levied by the scheme, while the value of his personal pension would be £17,400 – a shortfall of £2,200 plus charges. If he transferred out of the scheme on March 1 1991, the overall shortfall would be only £600.

Although the relationship between individual examples and the cost to companies is tenuous, the figures suggest the total bill for the sector may be nearer £500m than £1bn.

The co-operation of occupational pension schemes in taking former members back would be essential. But views differ sharply: the mineworkers' pension scheme allows former members to return, that of British Steel does not. In the interests of resolving the matter cleanly, the Treasury is likely to exert moral pressure on schemes to reinstate former members.

UAP boosts net profits by 32%

By Alice Rawsthorn in Paris

Union des Assurances de Paris (UAP), the insurance group which is the next candidate for the French government's privatisation programme, yesterday reported a 31.8 per cent increase in net profits to FFr1.42bn ($230m) in 1993 from FFr1.08bn in the previous year.

The group, which is France's largest insurer and which recently fulfilled a long-standing ambition to sxpand into Germany by taking control of Colonia, said it had benefited from a "strong improvement" in profits from foreign activities and increased asset sales. These helped to counter the steep fall in insurance profits within France and a FFr3.25bn charge for Banque Worms, its banking unit.

Mr Jacques Friedmann, the financier who last year became chairman of UAP to orchestrate its privetisation, recently warned the stock market that the group's profits would be at the lower end of expectations for 1993, at about FFr1.5bn.

The profits were slightly below that forecast, given the gravity of Banque Worms' problems and the continuing pressure on the French insurance sector. But they are not expected to affect UAP's privatisation prospects given that the group, which saw profits peak at FFr4.2bn in 1990, is seen as a recovery stock.

Mr Friedmann yesterday confirmed that UAP would stage a capital increase as part of the privatisation. He also announced plans to split UAP's shares into three. Other French privatisation candidates have adopted similar tactics in order to make their shares more marketable.

UAP mustered a 12.3 per cent increase in consolidated sales to FFr141.5bn in 1993. Life insurance interests, buoyed by n strong performance from Sun Life in the UK, saw sales rise 17.7 per cent to FFr74.1bn. The non-life division experienced slower growth of 7 per cent to FFr67.4bn.

UAP's French insurance interests suffered a 31.7 per cent fall in net profits to FFr948m, with profits outside France rising 8.6 per cent to FFr1.09bn.

Banque Worms, badly affected by the problems of the property market, remained in the red with a FFr1.49bn loss, only slightly lower than its FFr1.53bn deficit in 1992.

Elf given deadline on plans for refinery

By Michael Lindemann in Bonn

The Treuhand, the German privatisation agency, yesterday gavs Elf Aquitaine, the French energy group, until the end of this week to give final details about its investment plans in the delayed DM4.5bn Leuna oil refinery in eastern Germany.

Two Elf directors were negotiating with a senior Treuhand official until last night, when talks were interrupted to allow experts to review legal details, a Treuhand spokesman said. "Progress was made," he said. "We now have to reach a conclusion."

Elf said it wants less than 50 per cent of the project, having originally taken a 67 per cent stake.

The agreement for the larger stake was struck before the French energy group was due to be privatised.

Under this original plan, Elf's stake would have risen to 100 per cent after Thyssen Handelsunion, the construction arm of the German group, had handed over its share once the refinery had been built.

Meanwhile, Mr Klans Schucbt, a member of the Treuhand management board, said that Rosneft, the Russian state-owned oil enterprise, would take a 20 per cent stake in the showpiece refinery which it would pay for with crude oil deliveries.

Mr Schucht suggested that it was acceptable to reduce refining capacity from 10m tonnes to 8.5m tonnes but he insisted that work on the project should start in April, a month after construction was to have begun.

The uncertainty surrounding Elf's investment has caused the French and German governments severe embarrassment.

Both Chancellor Helmnt Kohl and President François Mitterrand were involved in the agreement, the biggest single industrial investment project in eastern Germany.

However, Elf has so far failed to find a buyer and has come under increasing pressure from the German government to keep the project.

Denmark maps out route for telecoms privatisations

Andrew Adonis and Hilary Barnes on Tele Danmark's prospects

Telecommunications shares have been outperforming their stock exchanges worldwide. But Tele Danmark, the Danish state operator whose privatisation was announced yesterday, is likely to prove particularly attractive to institntional investors.

It is partly the luck of the draw. Tele Danmark is the first of a string of EU privatisation candidates. With only the UK and Spain currently boasting large operators with private shareholdings, investor choice is limited. State operators in the Netherlands, Greece, Germany and Italy are following behind, as are numerous operators outside the EU. As the numbers grow, so will investor discrimination.

Tele Danmark – an operator formed by the merger of five regional telephone companies – can nonetheless withstand fairly exacting comparisons. It is near the top of the EU's efficiency league, benefiting from its regional inheritance.

Although each of the constituent companies had a regional monopoly, they competed fiercely to demonstrate to the public that they were the best and the cheapest. With 59 exchange lines per 100 people, Denmark is ahead of the rest of the EU.

Tele Danmark's cellular mobile networks also have an impressive record. The company operates two mobile phone systems, the Nordic Mobile Telephons service, where it has exclusive rights to Danish traffic, and a GSM service, where it claims a 60 per cent market share in competition with a second licence holder, Dansk Mobil Telefon.

Denmark boasts nearly 50 cellular subscribers per 1,000 people, against barely 30 in the UK and fewer still in France and Germany.

Tele Danmark is anxious not to be submerged by larger telecoms operators as European markets open up, and appears to be succeeding better than many of the EU's smaller operators. It has helped establish optical fibre links between Copenhagen and St Petersburg, Copenhagen and Poland and south through Poland to the Czech border.

It is also developing cellular networks in east Europe, with a 16 per cent share in mobile phone network under construction in Hungary and Ukraine and 20 per cent in n service in Lithuania.

Tele Danmark reported a turnover in 1993 of DKr16.29bn ($2.45bn) compared with DKr15.65bn in 1992, and made a net profit of DKr1.56bn, up from DKr916m in 1992.

According to the prospectus, about DKr11.4bn of the privatisation proceeds will be used to settle pension commitments and repay debts to pension funds and for other expenses.

On the assumption that the issue raises DKr18bn, about DKr6.5bn will be left to strengthen group equity capital, which was DKr8.7bn at the end of last year, when total assets were DKr26.1bn.

The success of the sale will have a bearing on others planned. "This is the road map for a string of other privatisations," said Mr Scott Mead, head of European communications group at Goldman Sachs, one of the global co-ordinators of the privatisation. "All the EU's smaller states will be looking to see how international investors take to it, and what happens to the company afterwards."

Bavarian bank 33% ahead at pre-tax level

By David Waller in Frankfurt

Bayerische Hypotheken- und Wschsel-Bank, one of Germany's two big Bavarian-based regional banks, yesterday initiated what promises to be a strong results season for Germans banks when it reported a 33 per cent rise in 1993 pre-tax profits to DM1.04bn ($580m).

The bank released this figure, arrived at after providing for bad and donbtful debts, after a meeting of the supervisory board. Further details of Hypo-Bank's and other institutions' 1993 results will emerge in the coming weeks, with the hanks expected to report record profits.

There was no break-down of profits yesterday, but the figures reflect strong growth in German mortgage business, a Hypo-Bank speciality. For the German banking sector as a whole, 1993 is likely to prove a strong year, with robust mainstream commercial activity complemented by buoyant market conditions which benefited fee-income and own-account trading.

Hypo-Bank is, as expected, paying a 1993 dividend of DM14.50 a share, up from DM13 in the previous year. It said yesterday that group assets rose hy 20.4 per cent to DM266m last year.

At the parent hank, pre-tax profits after provisions rose 25.2 per cent to DM860m.

Portuguese group to invest Es60m in cable TV system

By Peter Wise in Lisbon

A Portuguese company is to invest Es60bn ($430.7m) to supply cable televislon to 2m homes over the next six years, using a fibre-optic network that will enable the system to evolve into a multimedia information highway.

TV Cabo Portugal (TVCP), wholly owned by two of Portugal's state-owned telecommunications operators, will choose a company to supply the infrastructure for the project by April. It is negotiating with Philips of the Netherlands, Siemens of Germany, Sirti of Italy and Intelcis of Spain.

The contract is estimated to be worth Es20,000 for each home supplied.

The company is also holding talks with 40 programme producers, mainly European satellite TV companies. TVCP will offer a service of 30 channels for Es5,000 a month plus an installation charge of Es15,000. Additional channels will be added on a pay-per-view basis, pending ths approval of new legislation. Broadcasting is due to start in October.

TVCP will act as a holding company for nine regional cable TV operators. It will own 51 per cent of each company. Municipal authorities and private investors will subscribe to the rest of the capital throngh negotiation. The regional companies are expected to be floated on tbs stock market after two years.

The capital of TVCP itself will be opened to private investment after ths partial privatisation of Portugal's telecommunications sector due to take place by mid-1995. Mr Jose Manuel da Graca Bau, TVCP president, said tbe project should show a profit after six years.

"Being a later starter means Portugal can avail itself of more advanced technology," he said. "Installing an optic fibre network means that the cable TV system can later be used for multimedia products such as interactive computer and television technology."

The Portuguese government has authorised TVCP to use the optic fibre network of the basic telephone system for cable TV. Investment in the project would otherwise he double.

British Land to face challenge

By Vanessa Houlder, Property Correspondent

The struggle for control of a complex of London office properties intensified yesterday when Mr Stuart Lipton, chief executive of Stanhope, a troubled property company, launched a legal action to block the sale of 29.9 per cent of his company to British Land.

Mr Lipton is attempting to overturn a deal in which British Land bought into Stanhope with a view to putting pressure on it to sell its properties at Broadgate and Ludgate. British Land intends to transfer the stake to tbe £500m ($730m) British Land Quantum Property Investment Fund, the joint venture formed last June between British Land and Mr George Soros, the US investor.

Mr Lipton is challenging the share sale on the grounds that he had pre-emption rights which gave him first refusal over the block of shares. He is taking legal action against British Land, Bank of Nova Scotia, which sold the shares, and Olympia & York (UK), which originally owned the shares.

British Land's proposals have dismayed Stanhope because they would leave Stanhope's shareholders without any interest in Broadgate Properties, which consists of some of London's most prestigious modern buildings.

"British Land's proposal would be very good for British Land," said Lord Sharp, Stanhope's chairman. "There is very little in it for Stanhope's shareholders."

Lucas improves as cost-cuts help to offset weak demand

By Andrew Bolger in London

Lucas Industries, the UK motor and aerospace components group, said cost-reductions were continuing to rebuild profitability, but warned that its markets remained weak.

Sir Anthony Gill, chairman and chief executive, said: "With aerospace and defence spending remaining mucb depressed, it is too early to be optimistic about any early overall recovery in Lucas' markets."

Pre-tax profits rose to £20.1m ($29.6m) from £4.2m in the six months to January 31. Sales fell to £1.19bn from £1.29bn.

Sir Anthony said the cost-cutting momentum established last year had quickened. Substantial progress lifted profits by £29m.

These savings, together with increased sales volumes, more than offset the adverse effects of stock reduction on output, the lower recovery of engineering costs from customers and translation of foreign earnings.

Restructuring continued, with costs of £9.8m charged to the £88.4m provision established in 1991-92 and another £4.9m against first-half profits. A net 1,000 jobs were lost.

Sales again outperformed general industry trends. Sir Anthony said: "Automotive demand in the UK and US is recovering, and we sense that the bottom has been reached in the continental European automotive market."

Lucas said group borrowings had been substantially reduced by the effects of divestments, last year's enhanced scrip dividend, and the sale and leaseback of six US sites, combined with improved profit and working capital performance.

Net borrowings at the half-year were £360m – resulting in gearing of 48 per cent, compared with £479m (66 per cent).

Automotive operating profit increased from £13m to £27m. Aerospace profits increased from £6.7m to £9.9m, although sales declined from £323m to £252m.

Earnings per share were 2.2p, compared with a loss of 0.2p last time, and the interim dividend was held at 2.1p.

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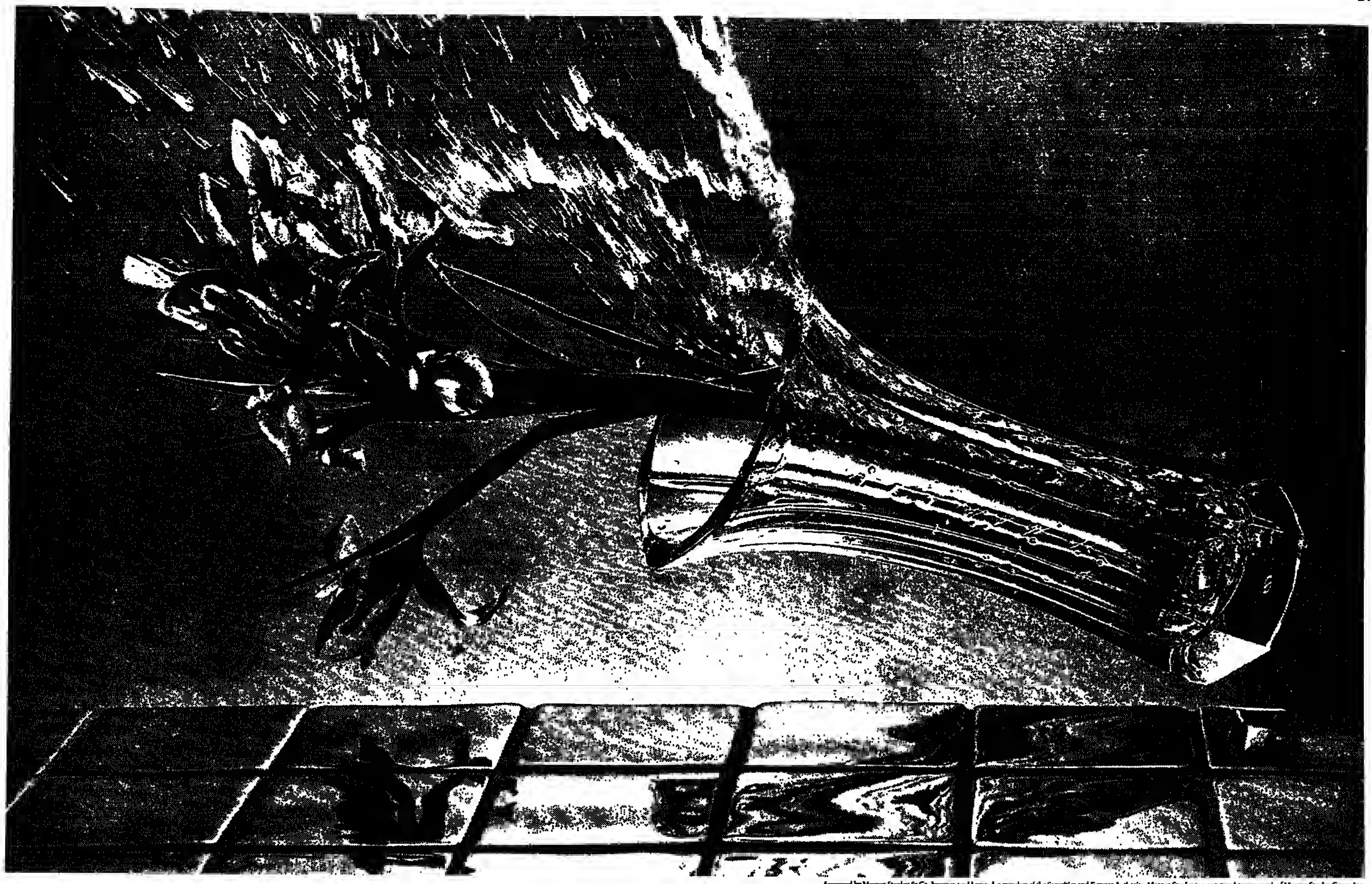

Borden forced to restate earnings

By Richard Waters in New York

Borden, the troubled US foods company, has been forced to restate its 1992 and 1993 earnings in a move that signals a broader regulatory crackdown on how US companies report restructuring charges.

The accounting adjustment, stemming from a restructuring charge which Borden announced in 1992, was forced by the Securities and Exchange Commission.

It is the first sign of a more aggressive approach by the securities regulators as to how companies book such one-off charges.

The SEC has written in recent weeks to companies which have taken big restructuring charges to remind them that the charges must meet certain criteria to qualify.

Many US companies have taken substantial restructuring charges in recent years in an attempt to make themselves more competitive.

Such one-off charges, which often follow the appointment of a new management team, could allow companies to report expenses which should be spread over future years, in effect boosting profits in future years and flattering a company's earnings trend.

IBM, the struggling computer giant, reported a $8.9bn restructuring charge last year after Mr Louis Gerstner was brought in as chief executive. The company could not immediately be reached for comment yesterday about the SEC's apparent campaign to police such charges more actively.

Borden said that, following discussions with the SEC, it had decided to reclassify part of its 1992 restructuring charge as "cost of goods sold or as marketing, general and administrative expenses in the years incurred".

The company said it had reduced its 1992 restructuring charge, which was originally reported as $642m, to $377m.

Of the difference, $80m has been applied to 1993, causing the company to report an increased net loss for the year of $631m. The other adjustments have been reflected in the 1992 figures, and will not affect reported results in future, Borden said.

Mr Lawrence Doza, Borden's chief financial officer, left the company a month ago in a departure that was thought at the time to be part of a broader management restructuring at the troubled group.

GiroCredit executives threaten to resign

By Patrick Blum and Ian Rodger in Vienna

The four executive directors of GiroCredit, Austria's third largest bank, have threatened to resign at the end of June unless the long struggle over control of the bank is resolved.

Mr Hans Haumer, chief executive, said he and his three colleagues were expressing their frustration at working in a strategic vacuum.

GiroCredit was established by Austria's savings banks as their central clearing institution. It has used that platform to become a leading participant in capital markets.

However, the two largest savings bank groups, Erste Oesterreichische and Bank Austria, which between them control more than half of Giro's equity, have come to regard Giro in recent years as a competitor, and so have stymied its development.

For more than three years, Giro executives have been trying to promote a resolution of a stalemate on their supervisory board.

A year ago, Erste attempted to assemble a group of savings banks that would buy Bank Austria's 30 per cent stake and take effective control.

Last month, Bank Austria, which had become impatient with the delays in completing this deal, launched a unilateral counter-bid for 20.4 per cent of Giro shares. This would be enough to give it clear control.

It soon became clear that Bank Austria would probably not achieve its target, so the stalemate would remain intact.

In recent weeks, both Moody's and Standard & Poor's have put Giro's credit ratings under review, citing the ownership uncertainty.

The Austrian finance ministry has expressed its displeasure with the situation at the bank.

Mr Haumer yesterday met Mr René Alfons Haiden, chairman of Giro's supervisory board and chief executive of Bank Austria, to present him with the decision of the four executives not to renew their contracts when they expired at the end of June.

Mr Haumer said later it had become very difficult to run the bank, and the notices by the credit agencies proved that the situation had become untenable.

He said that the bank was in a very strong financial situation, having raised its pre-tax profits last year by 55 per cent to Sch2bn ($167.4m) in spite of the uncertain atmosphere surrounding it.

Banks near accord on FFr13bn Euro Disney rescue plan

By Alice Rawsthorn in Paris

The Euro Disney banks are expected formally to approve a FFr13bn ($2.25bn) rescue package for the stricken leisure group within the next few weeks.

Lenders representing more than 50 per cent of its FFr20.3bn loans have already agreed to participate.

Euro Disney last Monday announced that Walt Disney, its US parent company, had secured an outline agreement with its banks for a restructuring plan that would enable a reduction in its net debt to FFr10bn.

This was on condition that the banks agreed to an 18-month interest holiday.

A senior banker within the Euro Disney loan syndicates said yesterday that every bank on the steering committee that negotiated the restructuring had already agreed in principle to support it.

Several banks outside the committee have also signalled approval.

The consenting banks include: Banque Nationale de Paris, Crédit Agricole and Banque Indosuez of France, Barclays and National Westminster of the UK, and Deutsche Bank of Germany. Caisse des Dépôts, the state-controlled French financial institution, has already publicly stated its support for the rescue.

The steering committee is negotiating with the other members of the 63-strong syndicate to try to secure their consent. "So far, no-one has actually said 'no'," said the banker.

It is common in such large corporate restructurings for a few small lenders to object to the terms of the deal.

However, the terms of the Euro Disney rescue do not require any of the banks to provide extra capital. It is also understood that the steering committee, chaired by BNP and Indosuez, is empowered by its mandate to accept an agreement on behalf of all the banks.

The committee is believed to be willing to exercise that right as the package has already secured so much support.

Walt Disney, which is bankrolling Euro Disney, has been pressing the banks to finalise the rescue as quickly as possible.

However the legal process is expected to take a few weeks, and will not be completed in time for Disney's original March 31 deadline.

Kemper and GE Capital closer to proxy bid battle

By Richard Waters

Kemper, the embattled US financial services group, said yesterday it was preparing to hand a list of its shareholders to GE Capital, in a move which would allow the General Electric subsidiary to step up its $2.2bn campaign for control.

The request from GE Capital could signal the start of the first big proxy solicitation battle in the US for more than two years.

It is the first since the introduction of regulations making it easier for shareholders to launch attacks on incumbent managements.

GE Capital said on Sunday it had written to Kemper asking for a list of shareholders. The request followed a unanimous decision by Kemper's board last week to reject a bid.

In a proxy battle, one shareholder seeks support either to force a board of directors to pursue a policy it has rejected – such as putting a company up for sale – or to engineer a change in the composition of the board.

Such battles, a familiar part of the 1980s corporate landscape, have become rare in recent years. In the most recent case, USX, the steel, energy and chemicals group, fought off an attempt from the corporate raider Mr Carl Icahn to break up the group.

Kemper said yesterday it was consulting its lawyers about whether it should hand GE Capital a shareholder list. It added, though, that it expected to hand over the list, "once we establish that they are a shareholder of record".

Regulations introduced last year allow shareholders to communicate directly with others, in theory making it easier to build an alliance against an incumbent board of directors.

GE Capital is believed to have hired D. F. King, which along with Georgeson is one of the two biggest US proxy solicitation firms, to help with its campaign.

King was active for QVC in its recent unsuccessful fight for control of Paramount Communications, while Georgeson worked for Viacom, the eventual victor.

In the letter to Kemper, Mr Gary Wendt, chairman and chief executive of GE Capital, said: "You leave us no choice but to proceed unilaterally and communicate directly with our fellow shareholders, who surely will feel the time-sensitive urgency to consummate this transaction as promptly as possible or risk seeing their values decline."

Macy rescue plan hits snag

By Frank McGurty in New York

The board of R.H. Macy was convening yesterday after a last-minute glitch emerged in a plan to bring the company out of Chapter 11 protection.

The conflict, centring on the valuation the company would place on itself in the reorganisation proposal, threatens to scupper a strategy designed to allow the New York-based department store chain to remain independent.

In January, Federated Department Stores, a long-time rival, proposed a merger between the two groups and purchased $450m of Macy's highest ranking debt.

The deal gave Federated considerable influence over Macy's future and the right to come up with a reorganisation plan.

Until late last week, yesterday's board meeting was expected to endorse a proposal hammered out after weeks of negotiations between Macy's management and two of its most important secured creditors, GE Capital and Fidelity Investments.

The package was intended to pay off both Federated and Prudential Insurance, which also holds about $450m in Macy's debt, and pave the way for a reorganised Macy to issue new equity to other secured creditors.

Mr Cyrus Vance, the former US secretary of state who was appointed last month to mediate in the negotiations, would then review the proposal.

However, a challenge to the management-sanctioned plan surfaced in the days leading up to yesterday's meeting. Mr Laurence Tisch, an influential outsider director, was expected to argue for a $3.8bn valuation for the company, compared with $3.5bn recommended by Macy's financial advisers.

Under a $3.8bn valuation, public bondholders and other junior creditors would realise a greater return on their claims and receive a bigger proportion of the stock issued by the company when it emerges from Chapter 11.

Senior creditors would receive less. As a consequence, some of them, led by Fidelity, are threatening to withdraw their support for Macy's independence if Mr Tisch wins. A letter signed by the group was sent to Mr Vance, warning him of their intention to back Federated unless the lower valuation was sanctioned by the board.

Ford near to $1bn sale of First Nationwide

By Martin Dickson in New York

Ford Motor, the US carmaker, appears to be close to a sale of its unprofitable thrift, First Nationwide Financial Corporation, which has been on the auction block for the past four months.

The car company is believed to have attracted two offers, each worth around $1bn.

Market sources identified one of the bidders as Mr Gerald Ford, who heads a Texan thrift, Madison Financial, but has no ties to Ford Motor or to the former US president of the same name.

The other is understood to have come from a partnership between Great Western Financial, a large Californian thrift, and Lehman Brothers, the investment bank which American Express is spinning off. Lehman would be involved solely to package and sell off First Nationwide's problem real estate loans.

The sale of the San Francisco-based thrift would close an embarrassing chapter for Ford, which bought First Nationwide in 1985 for around $500m but has since invested more than $700m to offset real estate loan losses. First Nationwide has not been profitable since 1990.

Air France waits for Czech talks outcome

By Alice Rawsthorn in Paris

Air France was last night anxiously awaiting the conclusion of negotiations in Prague to sell its 19.1 per cent stake in Czechoslovak Airlines (CSA) to Konsolidacni Banka, the Czech state-controlled bank, for between $25m and $30m.

The French airline, which acquired the stake in 1992 and is under acute financial pressure after a strike last autumn, has for weeks been embroiled in negotiations with the Czech authorities over the share sale.

The two sides had originally hoped to announce terms of a final agreement yesterday afternoon, but the talks continued into the evening.

Meanwhile, the European Bank of Reconstruction and Development, which also owns 19.1 per cent of CSA, was also attempting to conclude negotiations with the Czech government for the latter to take over Air France's guarantee for 70 per cent of its stake.

EBRD is understood to be hoping to hold on to its shares providing the Czech authorities agree to accept the old Air France guarantee. However, the bank, which has written off 30 per cent of the investment, may reconsider its position if the guarantee is not renewed.

Citic Pacific in line with forecasts at HK$1.89bn

By Louise Lucas in Hong Kong

Citic Pacific, the Hoog Kong-listed arm of the Beijing foreign investment company, yesterday reported an 81 per cent advance in net earnings to HK$1.89bo (US$244m) for 1993, up from HK$1.04bn in 1992. The results were in line with market expectations.

Profits were swollen by a string of acquisitions during the year and partially funded by a HK$7.1bn placsment which went towards the 12 per cent stake in Hongkong Telecom and the controlling interest in two mainland power stations bought from parent Citic Hong Kong last January.

Taken on a per share basis, earnings grew 24 per cent to 108.2 cents, from 87.4 cents.

Dah Chong Hong, the motor trading group which became a wholly-owned subsidiary in April 1992, was an important factor in last year's growth, contributing around 35 per cent of total profits – ahead of the 30 cent from Hongkong Telecom.

However, increased competition in the motor sector eroded margins, while the macro-economic measures adopted in China hit sales there, said Mr Larry Yung, chairman.

This year the cootribution from Dah Chong Hong is likely to shrink to around 25 per cent, reflecting the increased contributions from other parts of the group.

Of the two power plants, one started operation during 1993 and the 58 per cent-owned Ligang Power Plant has been running since January 1..

The group will also start to benefit in 1994 from the 50 per cent interest in the development of Discovery Bay, a residential complex on Lantau Island which was bought by Citic for HK$3.4bn earlier this year.

Road and tunnel projects will provide earnings further down the line, with the Western Harbour Tunnel, in which Citic has a 10 per cent interest, expected to be completed in mid-1997.

Profits oo the aviation side benefited from increased flights at Dragon Air, the airline jointly owned with Cathay Pacific.

The group also owns 12 per cent of Cathay Pacific – which is expected to turn in flat profits this year – and, since last November, 10 per cent of Hong Kong Air Cargo Terminals.

The directors are proposing a final divideod of 28 cents, making a total payout of 38 ceots. This represeots an increase of 26 per cent over 1992's total dividend of 30.2 cents.

Guoco Group, the Hong Kong-based company controlled by the Malaysian Quek family, reported a 287 per cent surge in earnings to HK$812.8m for the six months to December 31, compared with HK$210.1 last year, writes Louise Lucas.

The dividend rises just 1 cent on last year, to 21 HK cents.

Subsidiary Dao Heng Bank Group, spun off in a separate listing last December, made a net interim profit of HK$400.5m – an increase of 135 per cent over the HK$170.1m last time.

The group said Overseas Trust Bank, bought from the coloov's government last October for HK$4.48bn, was making a strong contribution. There is no interim dividend at Dao Heng.

New Jersey bank buys Baltimore Bancorp

First Fidelity Bancorporation, the New Jersey-based bank, is to acquire Baltimore Bancorp for $346m in a $20.75 per share cash deal, agencies report from New York.

The price represents about twice Baltimore Bancorp's expected book value at closing, Fidelity noted. Baltimore Bancorp, with $2.2bn in assets, is the parent company of the Bank of Baltimore which has $2bn in deposits, $1.4bn in loans and 42 branch offices.

First Fidelity said the acquisition was expected to close by the end of 1994, starting to add to its earnings in the first quarter of 1995. It said there will be no up-front charges.

Mr Tony Terracciano, First Fidelity chairman and chief executive, said the acquisition positions his bank in a growing and geographically cootiguous market.

He added that the Baltimore bank's distribotion system provided an opportunity to develop new business and reveuue for middle market, small company and private banking businesses.

First Fidelity said it needed no external financing to close the transaction, which has beeo approved by the boards of both Baltimore Bancorp and First Fidelity.

Trizec negotiating C$600m injection of equity in shake-up

By Robert Gibbens in Montreal

Trizec, the biggest property unit in Torooto's Edper-Hees group, is negotiating a C$600m (US$438m) equity infusioo which would form the basis of a revised recapitalisation.

Trizec, which is controlled by the Toronto branch of the Bronfman family, is restructuring its debt. It was affected by the collapse in North American property values that began in 1990, and its debt totals nearly C$2bn at the corporate level, plus a further C$3bn due in five years in the operating subsidiaries.

The Calgary-based group, one of North America's fastest growing development companies, last week won an Alberta court order delaying enforcement proceedings by senior and junior debenture holders until March 31.

Trizec said that this would give it time to complete negotiations for the third-party cash infusion.

Last August, Trizec proposed a recapitalisation to handle debt maturing in five years. Debt holders would have ended up with 49 per ceot of the equity of the reorganised company and the Bronfmans would have lost control.

Last January, the senior debt holders presented a counter-proposal but an agreement was not possible, Trizec said in a statement. It then tried to raise new equity and "several sophisticated investors" began due-diligence proceedings.

In the past week, Trizec said, the plan for a third-party infusion of C$600m was tabled, partly to buy senior debentures and partly to strengtheo the company's equity base.

It asked the senior debenture holders for extra time to finalise oegotiations, but they refused and accelerated payment of all debeotures under the March 19 1994 trust deed.

Trizec said Saturday's court detay "will provide the time needed to complete the talks". The plan would require a vote by all debt holders and shareholders and court approval.

The group retains about 80 office buildings and shopping centres totalling 54m square feet of commercial space (77 per cent in the US and 23 per ceot in Canada). It recently sold its chain of oursing homes.

In the year ending October 31 last, the loss was C$312m, including C$287m io write-downs and losses oo undeveloped properties and cash flow remain insufficient to service debt. Its holding in a sister company, Bramalea, was written off in 1992.

Lend Lease forges link in Indonesia

By Nikki Tait in Sydney

Lend Lease, the Sydney-based financial services group, is linking with Sinar Mas, the large privately-owned Indonesian holding company, and Bank Internasional Indonesia, a subsidiary of Sinar Mas and the second largest private bank in Indonesia.

The three groups have agreed to develop joint venture arrangements in pension funds administratioo and wholesale and retail funds management, and in project management for property services.

Lend Lease added yesterday that joint ventures in areas such as life insurance, payroll services and property development and management might be considered.

Norsk Hydro disputes NKr690m tax claim

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly-quoted company, has become embroiled in a dispute with the Oslo Tax Board which is claiming NKr690.1m ($93.8m) in extra taxes covering a four-year period.

The disagreement concerns a deduction for losses on shares in Norsk Hydro Canada, a unit which produces magnesium, and the waiving of interest on equity loans for Hydro Fertilizers in the UK.

Norsk Hydro inteods to appeal against the tax board's claim and said deferred tax provisions were inclnded in consolidated accounts for the relevant years.

The company maintains that "the oew assessment, therefore, has oo effect on total taxes compared with the preliminary result for 1993 published on February 21".

It explains that the tax board had disallowed a deduction for loss oo shares in Norsk Hydro Canada, and in the board's view the waived interest on the loans to Hydro Fertilisers should have been included in taxable income in Norway.

● ABB Finland has won a $50m contract from Central Hidroelectrica da Carnas (CHEC), the Colombian utility, to supply transformers and other equipment for 21 oew substations throughoot the Caldas region of the Colombian Andes, writes Andrew Baxter.

The deal is a further sign of revival in the South American power equipment markets. Union Bank of Finland is providing 85 per ceot of tha finance through a $42.5m 12½-year export credit loan.

Credito Italiano turns in 36% profits increase

By John Simkins in Milan

Credito Itallano, the newly privatised Italian bank which is the country's seventh largest in terms of assets, yesterday reported a 36 per cent increase in group net profits to L274.9bo ($164m) in 1993.

Interest income was up 16.8 per cent at L2,716.2bn while oon-interest iocome rose 75 per cent to L1,597bn.

The results, which follow a steep fall in oet profits in 1992, reflect an improved performance by subsidiaries. Gross operating profits were op 87 per ceot at L1,770.7bn.

Price cuts take toll on Swiss drugs group

By Ian Rodger in Zurich

Ares-Serooo, the Geneva pharmaceuticals group that specialises in fertility drugs, reported a 33 per cent slide in 1993 net income to $72.5m.

However, the fall was exaggerated by an extraordinary $27.7m gain oo the sale of assets in 1992. Net income from cootinuing operations was down 9.4 per cent.

Sales fell 12 per cent to $755.3m, hurt by curreocy devaluations in Italy and Spain and drug price reductions imposed by governments lo several countries.

The group said the improvement in operating margin was due to cost-cutting. The diagnostic division, accounting for 12 per cent of group sales, returned to profit.

Pre-tax profits were down 17 per cent to $100.6m.

● Mövenpick, the Swiss hotel and restaurant group, said consolidated net income recovered slightly to SFr8.5m ($5.9m) last year from SFr6.5m in 1992, on sales np 1.5 per ceot to SFr1.25bn.

Mr Ulrich Geissmann, chief executive, said measures to streogthen the group, which changed hands two years ago, had already begun to take effect.

Hongkong Land posts flat profits of US$306m

By Simon Holberton in Hong Kong

Hongkong Land, the property development and management arm of the Jardine group, yesterday reported unchanged net earnings, with 1993 profits before extraordinary items of US$306.5m, compared with US$305m in 1992.

Last year's earnings at the operating level were ahead by only 1.6 per cent, and growth was further undermined by Hongkong Land's share, totalling $20.6m, of losses at Trafalgar House, the UK property, engineering and construction conglomerate.

Mr Alasdair Morrison, managing director, said he hoped Trafalgar House's problems were behind it and that losses would not recur.

Profits after an extraordinary gain of $213.2m on the sale of a Hong Kong property were $519.7m. The dividend is going up 5.3 per cent, to 10 cents a share. The company ended last year with net borrowings of just $82m.

Hongkong Land owns the most highly-prized office and retail properties in tha central district of Hong Kong island. Mr Morrison, who is stepping down at Hongkong Land to take over as head of the Jardine group, said the company expected improved earnings this year on the back of higher rents. About a third of the company's property leases come up for renewal this year.

He said the average rent during 1983 was HK$45 per square foot for office accommodation and HK$105 for retail space. In recent rent reversions, the company had achieved around HK$100 per sq ft for small offices in Exchange Square – its prime office development on the Hong Kong waterfront – and expected to rent larger spaces for more than HK$90 per sq ft.

"We see rents increasing for some time; most of the space in core central is fully let," Mr Morrison said. In real terms, current rents were still below those of 1989, he said.

Mr Morrison said that Hongkong Land was interested in property development in China. It was conducting a market survey of Shanghai and hoped to identify opportunities there.

● Sun Hung Kai Properties, a leading Hong Kong property developer, has entered into a joint venture agreement to develop an integrated commercial complex in Shanghai. The project, Central Plaza, will require an investment of HK$800m (US$103.5m), the company said.

HK checks share-buying mania

The colony's authorities are curbing investor zeal, writes Louise Lucas

Just six months ago, investors would have fallen over themselves to buy shares in Chaifa, a small Hong Kong company planning to expand its business – making and selling clothes embellished with the Playboy bunny logo – into mainland China.

Now, however, with stock market sentiment battered and the China tag no longer the gilding it once was, new issues are a different ball game. Chaifa's modest HK$54.1m (US$6.9m) offering was just 1.86 times subscribed, and on its first day's trading, the shares closed at 99 cents, 7 cents under the issue price.

Nor are H shares – China enterprises listing in Hong Kong – immune. Yizheng Chemical Fibre, China's biggest producer of polyester, saw its HK$714m public offer close last week 20 times subscribed. In December, Kunming Machine Tool's HK$128.70m offer was 627 times subscribed.

While the chief reason for the lacklustre IPO market is undoubtedly the poor sentiment and volatility in the Hong Kong stock market (now down almost 25 per cent from its January peak), it also highlights different attitudes towards new issues.

Regulators have been monitoring oversubscriptions in the IPO market since 1992. And investors themselves, no longer counting on turning round one or two-day profits, are casting a far more critical eye over the listing prospectuses before diving in.

Last year, discretion was often sacrificed. Investors descended on the lending banks in hordes, at times forcing the Exchange Fund to step in with cash injections to stabilise interbank rates and general liquidity. Share prices invariably roared upwards on the first day of trading.

Denway Investment, a company from China making and selling cars, earned itself a place in the colony's history books when it saw its HK$402m offer some 657 times subscribed. The offer, just over a year ago, pulled in about HK$264bn – almost one-third of Hong Kong's gross domestic product that year.

Since then, the Monetary Authority has implemented a seven-point plan to curb bank lending for new issues – insisting, among other things, that financial institutions take a 10 per cent margin from all customers. Prior to this, certain institutions were settling for 5 per cent: in certain cases, where issues were widely believed to be hugely oversubscribed, no down payment was required.

Earlier this month, the stock exchange launched its bid to rein in the new issue market by banning multiple applications and applications that exceed the total offer. In the past, it was not uncommon to receive applications for HK$500m worth of shares for a HK$60m offering.

Underpinning the regulators' steps is a growing disenchantment with the IPO game. In the past, stagging was an easy road to riches regardless of the company fundamentals. Rumours of 100-fold subscription levels became self-fulfilling prophecies, and there were plenty of buyers to push the price up when trading started.


Joseph Yam: market still not clean of anomalies

Now, however, with short-term gains no longer guaranteed, investors are looking further ahead. Not all the companies which floated in a blaze of hype and met their promised profits in year one went on to turn in surging earnings in the second year.

Many brokers believe the quality of companies coming to market has deteriorated. It is partly this feeling which has prompted many to advocate a second stock market board – a concept rejected by the stock exchange in 1990, and again in its latest strategic plan this month.

Proponents of a second board argue this would be a more natural home for many of the smaller and poorer quality companies coming on line. Out of this year's 17-strong IPO league, more than half have raised less than HK$100m. These smaller capitalisation stocks, which seldom merit much broker research, are almost exclusively bought by retail investors.

In this sense at least, brokers judge the dwindling interest in the IPO market as healthy: the market will support the quality companies and allow them to raise funds for further expansion, while shunning the weaker offerings. At the same time, underwriters – who now face being left with stock – will be forced to take a harder look at potential clients.

Pricing mechanisms also came under attack during last year's oversubscription mania. However, as yet there has been no marked increase in price earning multiples: Yizheng Chemical Fibre is on a fully diluted p/e of 13.8 times, making it broadly comparable to last year's H share issues.

Mr Kevin Westley, chief executive of Wardley Holdings – one of the colony's most active underwriters – reckons IPO pricings this year have only risen in line with the blanket re-rating of the Hang Seng index.

However, Mr Joseph Yam, chief executive of the Monetary Authority, believes p/es still tend to be quite low on issue. The lull in investor frenzy and the curbs in place do not mean Hong Kong's IPO market is clean of anomalies yet, he warns.

Surge at HK broadcaster

By Simon Holberton

Television Broadcasts (TVB), a Hong Kong broadcaster, yesterday lived up to its reputation as the colony's most profitable media company with a 42 per cent rise in net earnings, to HK$519.6m (US$67.2m), for 1993.

Profits were struck on an 11 per cent rise in turnover, to HK$2bn.

A final dividend of 65 cents a share makes a total of 80 cents, an increase of 33 per cent on 1992.

Underwriting TVB's profitability is its near-80 per cent share of terrestrial television advertising revenues in Hong Kong. Directors remain confident that demand for advertising air-time will remain strong this year.

TVB entered the satellite television market last September with the launch of a Chinese-language TV station aimed at Taiwan.

Underwriters threaten to cancel Israeli issue

The underwriters of the share offering for Shikun U'Pituah, the Israeli state construction group, have threatened to cancel the issue. The move has prompted threats of a lawsuit by the treasury, Reuter reports from Jerusalem.

The sale of Shikun U'Pituah was to have been one of Israel's largest share offerings. It would also have been the first time that a state-owned company had been completely privatised on the Tel Aviv stock exchange.

Analysts said underwriters of the offering – scheduled to have gone ahead today – had shelved the issue because they believed the planned price was too high to attract buyers in a depressed market.

The finance ministry said: "The treasury reserves the right to sue for damages if the underwriters fail to underwrite the offer."

The flotation was expected to have brought the government a return of about $337m.

A number of recent privatisation issues in Israel have had a rough ride, with buyer interest well below initial projections.

This trend has been intensified by stock market weakness amid a rash of insider-trading investigations.

US Treasuries fall further ahead of Fed meeting

By Frank McGurty in New York and Antonia Sharpe in London

US Treasury bonds suffered further losses yesterday morning amid continued worries over monetary policy and ahead of this week's influx of fresh supply.

By midday, the benchmark 30-year government bond was 13/32 lower at 91⅛, with the yield rising more than five basis points to 6.957 per cent. At the short end, the two-year note was down 1/32 to 99 3/16, to yield 5.051 per cent.

After a sharp downturn in bond prices in the previous session, the tone of the market remained defensive. Uncertainty over the timing of the Federal Reserve's next strike on short-term interest rates was the catalyst to renewed selling pressure and the absence of any significant buying interest.

The Federal Open Market Committee, the Fed's policy-making arm, is scheduled to meet in Washington today. The consensus among Wall Street analysts sees the central bank lifting its target for the Federal Funds rates – at which banks make overnight loans to one another – by either 25 or 50 basis points, from the current 3.25 per cent level.

But the extent of the market's recent weakness has surprised some analysts, given last week's unthreatening data on consumer and producer prices. The perception of political interference in the rate-setting process was partially to blame, following Friday's unexpected talks between President Clinton and Mr Alan Greenspan, the Fed chairman.

Another factor exacerbating the market's jitters was the breakdown of negotiations between US and North Korea and threats by the White House to take steps to punish the recalcitrant Asian power.

Of more direct concern was the Treasury's plans to sell $17bn in new two-year notes today, followed by an auction of $11bn in five-year securities on Wednesday. Interest in the new issues could prove to be slack in view of the fluid state of Fed policy.

■ An overwhelming belief that the US Federal Reserve will further tighten policy today

GOVERNMENT BONDS

sent European government bond markets lower at the start of trading yesterday. Analysts said they expected the Fed to proceed cautiously since a rise of more than a quarter-point would be viewed negatively by the markets. "The Fed will try to avoid upsetting the markets," said one analyst.

However, traders said the lower levels attracted some bargain-hunting, which pushed prices a shade higher in the afternoon. They added that a widening in the yield differential between 10-year German government bonds and UK government bonds to more than 100 basis points prompted some investors to switch from bunds to gilts. The spread has been as narrow as 50 basis points in the past.

■ In London, gilts drifted higher after a weak opening but most of the activity was in the futures market. The June long gilt future on Liffe traded between the day's low of 108 18/32 and high of 109 5/32 before settling at 109⅛ in the late afternoon, down 1/32 on the day.

In the cash market, five-year gilts made the day's best gains, of around 7/32, as traders who had gone short of paper with that maturity last week in the belief that the Bank of England would announce a five-year, fixed-rate auction were forced to cover their positions.

The Bank is due to announce details of its first auction of floating-rate gilts for 15 years today. The market expects the issue to have a five-year maturity, to be priced to yield 20 to 25 basis points below the London interbank offered rate (Libor) and to raise in the region of £3bn.

Analysts reported that the Bank had been in close consultation with leading participants in the gilts market regarding the size of the issue, which reflected its desire for a smooth launch. A successful issue would open up new funding avenues for the Bank, analysts said.

The defensive nature of the issue is likely to appeal in particular to the monetary sector, to central banks and to foreign institutions.

■ Bunds recouped some of their early weakness on hopes of a further fall in the Bundesbank's repo rate tomorrow, to 5.8 per cent from 5.88 per cent. The bund future on Liffe broke above a chart resistance point of 96.20 and rose to the day's high of 96.52. However, it fell back to 95.82 in the late afternoon, down 0.78 points, due to lack of follow-through buying.

The market also found some support in economists' bullish forecasts on German inflation. Provisional cost of living data for the month to mid-March are expected to be published by the end of the week. A year-on-year figure of 3 per cent would please the market. By contrast, traders said the publication of M3 for February would not have much impact on the market provided it came within forecasts of around 15 per cent.

■ Italian government bonds eased as the countdown started to the March 27 general election. The Italian government bond June future fell just over one point to 109.36 in the late afternoon.

Indian investment log-jam bypassed

By Norma Cohen, Investments Correspondent

An Edinburgh-based fund manager has struck an agreement with an Indian custodial bank, allowing a log-jam of securities transactions in India to be bypassed. The log-jam has been responsible for a dramatic slowdown this year of foreign investment in India.

The fund manager, Martin Currie, is to raise an additional $150m through an issue of convertible preference shares in the Indian Opportunities Fund. The IOF, managed jointly by Martin Currie and Indian merchant bank Indbank, raised $100m in an initial placing of ordinary shares last July.

A further tranche planned for earlier this year had to be postponed after difficulty arose at custodial banks in India. Hongkong and Shanghai Banking, the leading custodial bank in India, which acts as Martin Currie's custodian, told its customers it was temporarily unable to handle any further increase in foreign investments in India.

Custodial banks hold share certificates for safe keeping, collect dividends and follow instructions to pass shares to new owners when they are sold. In India each share has its own certificate and the volume of paper this creates has raised serious administrative burdens for large, active institutional investors.

Martin Currie has struck an agreement with Industrial Credit and Investment Corporation of India, which acts as a sub-custodian for several large US banks. The local fund managers will have a period of six months in which to invest cash raised by the latest issue.

Loan for Oman fully subscribed

A $300m sovereign loan syndication for Oman was more than 100 per cent subscribed, Renter reports from Manama.

Bankers described the response as a measure of the confidence bankers have in the oil producer.

The arrangers for the five-year deal were Gulf International Bank, Chase Manhattan Bank, Commerzbank and Bank of Tokyo.

As Oman was repaying debt, it created room for banks to take on new paper, a banker said. Japanese banks were said to be particularly interested in the deal, perhaps trying to re-establish their presence having taken a lower profile during the 1990–91 Gulf war.

Scarce borrowers stick to floating-rate note issues

By Tracy Corrigan

Renewed volatility in government bonds dampened activity in the Eurobond market again yesterday. Dealers said they expect the flow of new issues to be very subdued this week.

INTERNATIONAL BONDS

The few borrowers to brave the market stuck to floating-rate note issues, which are less sensitive than fixed-rate bonds to interest rate uncertainty, since they perform like money market instruments.

Barings launched a $150m issue of floating-rate notes due March 2001, with put and call options from March 1999. The notes have a discounted margin of 50 basis points over three-month Libor. An official said that the proceeds would be used to provide funding for Barings' securities business.

Like a number of other banks in recent weeks, Barings took advantage of the opportunity to secure floating-rate note funding, as an alternative to bank credit lines.

In the French market, Toyota Motor Credit launched a FFr840m one-year deal, which pays 7.63 per cent times the number of days that the Paris interbank offered rate falls within a predetermined range.

In the sterling market, Cheshire Building Society launched a small £10m issue of Pibs (permanent interest bearing shares) via Hoare Govett, the second such offering to pay a variable interest rate. The deal pays interest of 2.4 per cent above six-month Libor.

First National Building Society, Ireland's second largest building society, launched the first floating-rate Pibs issue, a £25m deal, earlier this month.

Dealers said that more floating-rate Pibs are likely to be launched, although demand may be rather limited.

"Natural buyers of Pibs are fixed-rate investors who want to lock in a certain level of income," said one syndicate official.

● Elf Aquitaine has had its long-term securities ratings placed under review for possible downgrade by Moody's Investors Service, which cited concerns over the effect of lower crude oil prices on Elf's balance sheet. Elf's long-term debt and preferred stock are currently rated Aa3. Its Prime-1 short-term rating is not under review.

● Moody's and Standard & Poor's, the US credit rating agencies, have given Malta an a2 and an a (stable) rating, writes Godfrey Grima from Valetta.

Mr John Dalli, the finance minister, said both agencies view the island's economy as strong and in the process of increased liberalisation.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Barings(a)‡	150	(b)	99.44R	Mar.2001	0.25R	-	Baring/ CS First Boston
FRENCH FRANCS							
Toyota Motor Credit Corp.	840	(c)	100.00	Apr.1995	undisct.	-	Banque Paribas

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Callable and puttable on any coupon date from Mar.99 at par. b) 3-mth Libor +¼%. Short 1st coupon. c) (7.63% x N/365); N is days 3-mth Pibor falls within declining range (6.35-5.60% to 5.65-4.25%).

French bank to securitise commercial property loans

By Tracy Corrigan

Bankers Trust International has arranged a FFr9bn securitisation of commercial property loans, designed to restructure the balance sheet of Comptoir des Entrepreneurs, the French bank.

The securitisation is split into three tranches, consisting of two asset-backed commercial paper programmes and one bond offering.

The deal will allow CdE to refinance itself without the need for further capitalisation, according to Mr Graeme Thomson of Banker's Trust's global investment bank division.

The first two tranches consist of FFr1.5bn to FFr3bn of revolving credit back-up facilities, one in French francs and one in dollars, supporting, respectively, a billets de tresorerie (BT) programme, and a dollar commercial paper programme, both maturing on December 31 1998.

The third tranche is a FFr4.5bn fixed-rate bond due December 31 1998, to be arranged by a group of French banks next month.

Under the structure, CdE sells its property loan portfolio to a special purpose vehicle. CdE's shareholders, Assurances Générales de France, Crédit Foncier de France, Union Assurance de Paris, Caisse des Dépôts et Consignations and Groupe des Assurances Nationales, all act as guarantors.

There is also an unconditional and irrevocable guarantee from MBIA, a triple-A rated specialist insurance company.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	114.3100	+0.350	7.20	7.15	6.72
Belgium		7.250	04/04	99.3800	-0.820	7.34	7.05	6.93
Canada *		6.500	06/04	92.4000	-0.950	7.58	7.44	6.94
Denmark		7.000	12/04	100.9500	-0.500	6.87	6.67	6.49
France	BTAN	6.000	05/98	107.2500	-0.250	5.76	5.70	5.42
	OAT	5.500	04/04	92.9000	-0.730	6.48	6.25	6.09
Germany		6.000	09/03	97.0300	-1.060	6.42	6.21	6.01
Italy		6.500	01/04	94.1500	-0.490	9.43†	8.38	8.64
Japan	No 119	4.800	06/99	105.7210	+0.040	3.51	3.53	3.00
	No 157	4.500	06/03	102.6810	-	4.10	3.87	3.68
Netherlands		5.750	01/04	94.8800	-0.740	6.47	6.21	6.02
Spain		10.600	10/03	109.9000	-0.250	8.91	8.80	8.47
UK Gilts		6.000	08/99	98-25	+7/32	6.73	6.60	6.08
		6.750	11/04	95-15	-8/32	7.44	7.24	6.80
		9.000	10/08	112-11	-8/32	7.59	7.36	7.04
US Treasury *		5.875	02/04	95-00	-26/32	6.57	6.50	6.05
		6.250	08/23	91-03	-32/32	6.97	6.93	6.61
ECU (French Govt)		6.000	04/04	93.7200	-0.400	6.88	6.64	6.39

London closing. *New York mid-day. Yields: Local market standard.
1 Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	3.41	Two year	5.08
Prime rate	6	Two month	3.43	Three year	5.44
Broker loan rate	5	Three month	3.58	Five year	6.01
Fed.funds	3⅜	Six month	3.98	10-year	6.52
Fed.funds at intervention	-	One year	4.37	30-year	6.95

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	124.64	124.24	-0.32	124.70	123.72	150,481	78,508
Jun	124.14	123.74	-0.34	124.20	123.22	127,888	142,268
Sep	123.42	123.00	-0.36	123.42	122.68	786	12,712

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS Jun	CALLS Sep	PUTS Apr	PUTS Jun	PUTS Sep
124	0.60	1.43	-	0.95	1.73	-
125	0.25	1.00	1.18	1.62	2.30	3.22
126	0.08	0.62	-	2.42	2.82	-
127	0.05	0.35	-	-	3.63	-
128	-	0.22	0.40	-	-	-

Est. vol. total, Calls 42,166 Puts 51,118 . Previous day's open int., Calls 364,297 Puts 286,879.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.38	95.97	-0.63	96.52	95.75	140068	197546
Sep	95.75	95.71	-0.64	95.75	95.75	276	5150

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9550	1.44	1.66	0.97	1.45
9600	1.17	1.38	1.20	1.67
9650	0.93	1.19	1.46	1.98

Est. vol. total, Calls 9788 Puts 13367. Previous day's open int., Calls 249664 Puts 214840

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.86	100.60	-0.25	100.67	100.55	51	2621

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	110.35	109.63	-0.76	110.58	109.06	45649	86346
Sep	-	109.18	-0.76	-	-	0	6

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
10950	2.58	3.10	2.45	3.42
11000	2.32	2.87	2.69	3.69
11050	2.08	2.65	2.65	3.97

Est. vol. total, Calls 3394 Puts 1965. Previous day's open int., Calls 67791 Puts 59346

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	100.20	99.87	-0.31	100.21	99.35	53,408	108,223
Sep	-	101.13	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109-28	110-04	-0-07	110-00	109-28	52	11239
Jun	108-30	109-05	-0-06	109-18	108-18	62307	150198
Sep	-	108-09	-0-06	-	-	0	107

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
109	2-02	2-11	1-56	2-37
110	1-36	1-49	2-26	3-31
111	1-11	1-26	3-01	4-08

Est. vol. total, Calls 2720 Puts 3541. Previous day's open int., Calls 73850 Puts 56385

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.00	116.66	-0.18	117.00	116.34	1,876	5,844
Jun	90.60	89.98	-0.38	90.60	89.78	1,101	4,731

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	109-15	109-14	-0-05	109-17	109-07	14,588	27,563
Jun	108-18	108-18	-0-05	108-21	108-09	422,412	349,844
Sep	107-22	107-20	-0-06	107-24	107-13	1,196	39,508

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	110.50	-	-	110.58	110.50	377	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Mar 21	Day's change %	Fri Mar 18	Accrued interest	xd adj. ytd		Low coupon yield Mar 21	Mar 18	Yr. ago	Medium coupon yield Mar 21	Mar 18	Yr. ago	High coupon yield Mar 21	Mar 18	Yr. ago
1 Up to 5 years (23)	126.40	+0.05	126.64	1.95	2.38	5 yrs	6.73	6.75	6.67	6.96	6.99	6.95	7.07	7.10	7.11
2 5-15 years (24)	150.48	+0.10	150.59	1.58	3.75	15 yrs	7.48	7.47	7.67	7.58	7.58	8.21	7.83	7.83	8.42
3 Over 15 years (9)	169.26	-0.05	169.35	1.14	3.53	20 yrs	7.60	7.60	7.99	7.60	7.59	8.39	7.85	7.83	8.50
4 Irredeemables (6)	196.39	+0.29	195.83	2.89	1.47	Irred.†	7.72	7.74	8.44						
5 All stocks (62)	145.78	+0.06	146.83	1.66	3.24										

Index-linked	Mon Mar 21	Day's change %	Fri Mar 18	Accrued interest	xd adj. ytd		Inflation 5% Mar 21	Mar 18	Yr. ago	Inflation 10% Mar 21	Mar 18	Yr. ago
6 Up to 5 years (2)	186.48	-0.69	187.76	-0.17	2.53	Up to 5 yrs	2.75	2.71	2.31	1.92	1.67	1.39
7 Over 5 years (11)	180.37	-0.24	180.81	0.80	1.29	Over 5 yrs	3.37	3.35	3.41	3.21	3.18	3.22
8 All stocks (13)	180.11	-0.23	180.53	0.52	1.41							

Debentures and Loans	Mon Mar 21	Day's change %	Fri Mar 18	Accrued interest	xd adj. ytd	5 year yield Mar 21	Mar 18	Yr. ago	15 year yield Mar 21	Mar 18	Yr. ago	25 year yield Mar 21	Mar 18	Yr. ago
9 Debs & Loans (73)	137.89	+0.56	137.12	2.27	2.68	8.41	8.55	6.60	8.65	8.72	9.32	8.72	8.77	9.51

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 21	Mar 18	Mar 17	Mar 16	Mar 15	Yr ago	High*	Low*
Govt. Secs. (UK)	98.82	98.72	98.55	98.94	100.50	98.85	107.60	96.85
Fixed Interest	119.45	120.14	120.98	121.37	121.20	112.94	133.87	112.94

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
Gilt Edged bargains	98.7	89.8	99.7	100.6	107.2
5-day average	98.8	97.0	96.5	94.0	94.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	85⅞	95⅞	-⅛	7.20
Alberta Province 9⅞ 96	600	105⅞	106⅛	-⅛	5.40
Austria 8½ 00	400	105⅞	109⅛	-⅛	6.61
Bank of Tokyo 8⅞ 96	100	104⅝	105⅝	-⅛	5.89
United Kingdom 7¼ 97	5500	104	104¼	-⅛	5.85
Volkswagen Intl Fin 7 00	1000	99⅝	99⅞	-1⅛	7.09
World Bank 0 15	2000	27⅛	27½	+⅛	6.18
World Bank 5⅞ 00	3000	95¼	95⅞	-⅛	6.48
World Bank 8⅛ 00	1250	113¾	114¼	-⅛	5.98
Alliance Leics 11⅞ 97 £	100	112⅞	112¾	-⅛	6.84
British Gas 12¼ 95 £	300	106½	106⅞	+⅛	5.10
British Land 8⅞ 23 £	150	94⅞	94⅞	-⅛	9.67
EIB 10 97 £	637	108⅝	109	-⅛	6.59
Halifax 10⅜ 97 £	100	109¼	109¾	-⅛	6.60
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1993/94 High	1993/94 Low
Shorts (Lives up to Five Years)						
Exch 13¼pc 1994	13.38	4.97	100⅞xd	—	109⅛	100⅞
Treas 10pc Ln 1994‡‡	9.89	4.86	101⅛	—	105⅞	101⅛
Exch 12¼pc 1994	12.11	4.89	103⅛	—	110⅛	103⅛
Treas 11½pc 2001-4	9.48	7.53	121¼	+⅛	129⅞	115⅞
Funding 3½pc '99-4	4.54	6.58	77⅛	-⅛	86⅛	67⅞
Conversion 9½pc 2004	8.32	7.54	114¼xd	-⅛	125⅞	105⅞
Treas 6¾pc 2004‡‡	7.08	7.36	95⅛	-⅛	105⅛	94⅞
Index-Linked (6) 2pc '94 (102.9)	—	—	137⅞	—	137⅞	131⅞
2pc '96 (67.9)	1.70	2.64	200	-⅛	204½	194⅞
4⅝pc '98‡‡ (135.6)	1.92	2.58	109⅞xd	-⅛	113⅛	106⅛
2½pc '01 (78.3)	2.50	2.95	170⅞xd	-⅛	176⅞	159
[illegible]						

Takeover creates UK's largest private sector bus and coach operator

Badgerline buys Rider for £38m

By Andrew Bolger

The rapid consolidation of Britain's bus industry moved up a gear yesterday with a £38m agreed offer by Badgerline, the Avon-based operator, for Rider, the leading supplier of bus services in West Yorkshire.

Badgerline, which came to the market in November, said the enlarged group would be the largest private sector bus and coach operator in the UK.

Last month it agreed to pay £23m for PMT Group, the Staffordshire-based coach company.

Rider operates 1,100 buses.

It was tha subject of a buy-out from the West Yorkshire Passenger Transport Executive in 1988. About 90 per cent of Rider's 3,200 employees own sbares in the private company, and their average holding will be worth about £5,000.

The offer is 16 Badgerline shares for every 5 Rider shares held. Badgerline shares closed at 118p, down 1p, valuing each Rider share at 377.8p.

Rider shareholders will be entitled to take up to half of their consideration in cash or loan notes. The offer has been recommended by the Rider board and holders of a majority of the shares have already agreed to accept.

Badgerline currently oparates 2,800 buses and coaches in the West Midlands, the Potteries, soutb Wales and the south of England.

Mr Trevor Smallwood, Badgerline's executive chairman, said: "The acquisition of Rider is expected to be significantly earnings enhancing in the next couple of years as the enlarged group takes advantage of the opportunities to increase margins." Ha added: "I see this in many ways as a merger of two of the bus industry's leading operators."

Trevor Smallwood: acquisition will be "earnings-enhancing"

Rider made pre-tax profits of £3.9m on turnover of £83.9m in the year to March 31 1993.

Net assets at March 31 last year were £19.8m.

Mr Bill Cottham, Rider's chairman, said: "For some time we have been considering how, in the current environment, we might best develop our business."

"We have examined a number of options and have concluded that Rider can best be developed as part of a larger bus grouping."

Badgerline said this deal would maka it bigger than Stagecoach, the Perth-based group which came to the market last April.

Last week a third bus operator, the Go-Ahead Group, based in Gateshead, said it planned a flotation this summer with a market capitalisation of more than £40m.

Astec (BSR) doubles to £14.9m

By Paul Taylor

Astec (BSR), the Hong Kong-based and London-listed electronics company, 48.9 per cent owned by Emerson Electric of the US, yesterday reported a sharp increase in pre-tax profits reflecting the benefits of its reorganisation in recent years.

The group, which claims to be the worlds largest supplier of power conversion products, reported a near-doubling of pre-tax profits to £14.9m, against £7.82m struck after £5.82m of restructuring costs offset by £5.5m of profits on the sale of operations.

Turnover grew by 16 per cent to £291.4m (£251m). On a comparable basis, adjusting for exchange rate movements and discontinued businesses, turnover increased by 6.6 per cent.

Group operating profits grew by 58 per cent to £15.1m (£9.61m) as margins widened from 3.8 per cent to 5.2 per cent.

The core power conversion business reported operating profits of £13.1m (£9.15m) on sales up 29 per cent to £135.6m (£182.5m).

Adjusting for exchange rate movements, power conversion sales grew by 8.6 per cent compared with world market growth of 8.2 per cent.

After returning to profitability in 1992 the electronic components business reported increased operating profits of £2m (£465,000) on sales down 18 per cent to £55.9m (£68.4m).

Adjusting for discontinued operations and excbange rate movements, salas decreased by 1.2 per cent.

The group ended the year with £7.3m of nat cash, compared with net debt of £11.6m at the end of 1992.

Earnings per share increased to 4.16p (2.15p). An 0.5p final dividend is recommended making a total of 0.75p (nil).

● COMMENT

Astec's senior management, led by Mr George Tamke, chief executive, has made considerable progress re-focusing the group on its core power supply business, restructuring the balance sheet and positioning it for growth. The world power supply market remains highly fragmented, but Astec already ranks number one and expects to grow bigger, both through organic growth and acquisition. Economies of scale and tweeking the product mix should enable the group to keep margins moving ahead. Pre-tax profits of about £20.5m look possible this year prodncing earnings of about 5.7p. The shares, which gained 2p yesterday to 91p, have risen steadily over the past two years and are now trading on a prospective p/e of 16. They could go higher.

Tesco plans £12m investment in Hungary

By Neil Buckley

Tesco is to become the first UK food retailer to invest in eastern Europe. It is negotiating a £12m investment in Global, a regional food retailer in Hungary.

It will be Tesco's second move into continental Europe after buying the Catteau chain in northern France for £175m last year. The company said in January that it was looking at new business opportunities both in the UK and overseas when it announced it was cutting back its UK expansion programme.

Tesco plans to buy a 45 per cent stake in Global when it raises capital and floats on the Budapest stock exchange next month, as part of the government's privatisation programme.

The company said it had been watching eastern Europe for several years and had chosen Hungary as it "appears to have developed furthast towards a market economy".

Two continental European retailers, Austria's Julius Meinl and Germany's Tengelmann, already have operations in Hungary, but food retailing is dominated by small regional chains, many state-owned.

Global made pre-tax profits of £1m on sales of £25m last year, from 43 stores totalling 100,000 sq ft.

"This is small beer for us – less than the cost of building one UK superstore – but it gives us a window on what is going on there," Tesco said.

Vymura to float with £40m tag

By David Wighton

Vymura, Britain's biggest domestic wallpaper manufacturer, is to be floated on the stock market next month with a value of about £40m.

The company was bought by its management for £14m in 1982 from Enichem Vinyls Corporation, a joint venture between ICI and Enichem.

Based in Hyde, near Manchester, the company designs, manufactures and markets wallcoverings under the Vymura and Novamura brands as well as private label ranges.

The Vymura brand name was created in 1985, when ICI's paint division invented paper-backed vinyl wallcovering, but by 1988 the business was losing money.

It was put into the joint venture with Enichem and the present management team, headed by Mr Tom Smail, managing director, pushed through a restructuring.

Costs were cut, manufacturing was consolidated on one site and sales targeted at larger national retailers.

In the two years to 1993 sales rose by more than a quarter to £33.8m with operating profits doubling to £3.96m.

The new money raised hy the company will pay off the bny-ont debt and fund increased capital investment.

Mr Iain Bell, managing director of Johnston Press, the Scottish newspaper group, has been appointed non-executive chairman of Vymura.

The float is being handled hy Barclays da Zoete Wedd with UBS as stockbroker.

Strong dollar helps lift Bunzl 38% to £56m

By Maggie Urry

The strong dollar, acquisitions and profits on disposals as well as organic growth helped Bunzl raise pre-tax profits by 38 per cent, from £40.4m to £55.8m, in 1993.

The shares rose 2p to 183p.

Mr Anthony Habgood, chief executive, said that with 60 per cent of group sales coming from the US, the 16 per cent rise in the dollar contributed about 9½ percentage points to the 13.5 per cent rise in sales from continuing operations to £1.46bn. Total turnover was 16 per cent up at £1.52bn (£1.31bn).

Operating profits rose 12.5 per cent to £64m, including £1m from acquisitions and an unchanged £1.4m from discontinued operations. Mr Habgood said the group suffered from falling prices during the year and a £1.5m cost of closing the southern Italy paper distribution business.

Profits on disposals totalled £1.3m (losses £5.2m) and interest charges dropped by £1.8m to £9.5m.

A fall in the tax rate helped lift earnings per share from 5.6p to 8.3p.

A final dividend of 2.3p (2.2p) is proposed to give a total of 4.1p (4p). Mr Habgood said that although small, it was the first increasa since the dividand was cut in 1991.

He said that under FRS 3 accounting the group had paid £80m in dividends from no profit over the previous four years. Even now the cover was only two times.

Operating profits from paper and plastic disposables rose by 28 per cent to £40.6m, matching the rise in sales. This division benefited from the currency gain and the purchase of ACS, though the Grossman acquisition made a small loss as expected. In dollar terms sales rose 5 per cent although prices fell 2 per cent.

Fine paper distribution suffered from falling paper prices, especially in Germany where prices were 16 per cent lower. Profits fell from £12.9m to £6m.

A rebound in profits in building supplies, from £700,000 to £4.2m followed cost cutting and a rise in demand. Profits from cigarette filters rose 10.7 per cent to £11.4m and made a 34 per cent return on capital.

Plastic products recorded a 40 per cent jump in profits to £8.8m with the main caps and plugs business doing well and in spite of continuing losses at Stewart, the consumer plastics operation.

● COMMENT

The new management at Bunzl has certainly brought a discipline and coherence to a group which had been one of the worst examples of late 1980s acquisitiveness. Even so, there is still precious little homogeneity to the five divisions and a distinct impression that the building supplies side, at least, could be up for sale once its recovery is nearer completion. If paper and packaging distribution is to be the core, with cigarette filters a mature cash cow, Bunzl does not deserve the significant premium to the market it currently enjoys. With forecasts of about £66m for the year, and a higher tax charge slowing earnings growth, the prospective p/e is about 19½, a rating which looks further into 1995.

Greyfriars transformation via buy

By Simon Davies

Greyfriars Investment Company will be transformed from a £2.5m investment trust to a £30m financial services business if it gains approval for a back-door listing by the IAF group.

Greyfriars is acquiring IAF for £21.7m, through the issue of 65.7m new shares at 33p. The company will raise a further £6m through a placement of 9.8m shares and a rights issue of 8.4m new shares at 33p. Shareholders are offered one new share for every existing share and/or warrant.

English Trust, which took effective control of Greyfriars last September, will see its 31 per cent shareholding substantially diluted. It said it viewed the proposals as positive and would retain its stake.

IAF was formed in 1987 as a joint venture between Tiphook, thetransportation group and Mr David Massie. Tiphook sold out in 1991.

It is forecast to make static profits before tax and exceptional items of £2.5m in the year to June 1994. It had net assets of £3.9m at December 31. At the 33p placemant price Greyfriars will have a capitalisation of £30m and its name will be changed to IAF Group.

Mr Massie will become executive chairman.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Argos	fin	5.65	May 18	4.8	8	7
Astec (BSR)	fin	0.5	June 7	nil	0.75	nil
Avonside	fin	2.3	May 27	2.2	4.2	4
BPP Holdings	fin	5.8	May 12	5.3	8.8	8
Bunzl	fin	2.3†	July 1	2.2	4.1†	4
CrestaCare	fin	0.5†	May 3	0.4	0.75	0.5
Dooflex	fin	3	May 30	3	4.6	4.6
Fact (EW)	fin	2.98†	May 13	2.71	4.74	4.31
Fleming Inc Cap	fin	1.9	May 1	1	4.9	4.725
Hibernian	fin	4.7‡	May 10	4.1	7	6.2
Lucas	int	2.1	July 1	2.1	-	7
Pendragon	fin	4.8	Apr 28	4.4	7.2	6.6
Tay Homes	int	1.35†	May 8	1.2	-	5.85
Trafford Park	int	0.95	May 12	0.86	-	2.8
Wilson Bowden	fin	6.65†	May 26	8.2	8.3	8.7

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish pence throughout.

Buy-in at BET company

A management buy-in team has taken over the cleaning and hygiene supplies distribution business that was formerly part of BET's Initial Group.

Previously Initial Supplies and henceforward Alpha Supplies, the new company began trading yesterday. Last year's turnover was in the region of £37m.

The buy-in team, headed by Mr Wayne Bradley, who becomes chairman, and Mr Mike Stubbs, managing director, was advised by Arthur Andersen, which structured and negotiated the £5.2m buy-in.

COMPANY NEWS: UK

Argos jumps to £83m but warns on spending

By Neil Buckley

Argos, the catalogue retailer, announced a sharp increase in pre-tax profits from £52.9m to £83.5m for the year to January 1 1994 but warned that the pick-up in consumer spending could still be damaged by next month's tax increases.

The 1992 figure was depressed by £18.9m of losses and closure costs at the Chesterman furniture chain. Taking account of those, bowever, underlying profits increased by 16.3 per cent.

Mr Mike Smith, chief executive, warned, however, that while sales had not so far been damaged by the threat of tax rises, the group was prepared for a downturn in April.

"We're planning on the basis that it will happen," he said. "So if it doesn't, that will be a bonus."

Sales increased by 10.6 per cent to £1.11bn – although last year's figures were for a 53-week period, and included Chesterman. Excluding the furniture chain, sales in the catalogue business were up 12.4 per cent, with like-for-like sales up 7.3 per cent and new stores adding 5.1 per cent.

Mike Smith: prepared for a downturn in April

Like-for-like growth increased from 5.9 per cent in the first half to 8.1 per cent in the second, and Mr Smith said sales growth had continued at about 8 per cent since January.

He said part of the reason for the sales improvement was very competitive pricing, with three-quarters of Argos' lines carried over from its summer to winter catalogues at the same price or less, stronger price promotions and an expanded range. Argos increased market share in nearly all product areas, with furniture, office equipment and gifts the best performers.

The gross margin increased by 0.25 points in the first half, but declined in the second half, leaving it 0.1 points up.

Mr Smith warned that gross margins would fall as Argos continued to improve price competitiveness, but the effect on operating margins would be limited by "managing" the gross margin – increasing the range of high-margin areas such as gifts and jewellery – careful cost controls, and continued store expansion.

The home delivery operation showed a 37 per cent rise in the number of product lines contributing to a 49 per cent increase in sales to £37m

Argos plans 30 new stores in 1994, taking the total, after some closures, to 345. The eventual target is 500 to 600 stores.

Earnings increased to 18.6p per share (11.7p) and the proposed final dividend is 5.65p, lifting the total from 7p to 8p.

See Lex

Advance to £1.2m for Tay Homes

By Andrew Taylor, Construction Correspondent

Tay Homes, the Leeds-based housebuilder, increased pre-tax profits by 18.5 per cent from £1.03m to £1.22m during the six months to the end of December.

Turnover fell from £27.2m to £26.6m as the number of homes sold rose by 6 per cent to 434. Earnings per share rose from 3.04p to 3.63p, a 19 per cent increase.

The company which has extended its honsebuilding operations to north Birmingham and north Bristol is increasing the interim dividend from 1.2p to 1.35p.

Mr Trevor Spencer, chairman, said Tay had seen a significant improvement in sales since the new year with unit sales currently 8 per cent ahead of the corresponding period.

Last November, when announcing a £10.2m rights issue, Tay said it intended to increase land purchases to take advantage of the housing market recovery. Since then it has bought a number of sites enabling it to maintain its land bank at 4,200 plots. In addition, it has 750 plots for sale in Scotland. No land sales are proposed this year.

Gearing, which stood at 80 per cent at end-December, has been redneced to 35 per cent following the rights issue.

Putting China top of the agenda

Simon Holberton reports on ICI's expansion into mainland China

In what used to be a banana grove on the outskirts of Guangzhou (Canton), the capital of Guangdong province, Imperial Chemical Industries has built a beachhead for its expansion in China.

On Friday, Sir Denys Henderson, ICI chairman, opened a joint venture factory which will produce a range of decorative paints and coatings for the household sector, automotive and packaging industries in China and Hong Kong.

The 15m litres a year plant – with capacity expandable to 50m litres – will employ some 160 people, and is cheap in terms of investment. Total cash expended is just £8m of a £15m plant. Swire Pacific, a Hong Kong-based trading company, and a local Chinese investor are joint owners of the factory.

However, this investment represents a return to the Chinese mainland for ICI which, like so many large foreign industrial companies, was forced out of China in the aftermath of the Communists' assumption of power in 1949.

Sir Denys said that ICI's board had been thinking about China quite a lot recently. "As China has become more receptive to inward investment and more politically stable, we have begun to take it more seriously," he said.

Mr John Chandler, chairman of ICI China, put the point more forcefully: "There is not a single business of significance within ICI where China is not on its agenda."

The same can be said for many of ICI's competitors in Europe and the US. They, like ICI, are lured by the attraction of a market for cbemicals growing in line with the rapid expansion of the Chinese economy.

Over the past decade this growth has averaged nearly 10 per cent a year in real, inflation-adjusted, terms. In Guangdong, southern China's fastest growing regional economy, growth has been quicker, with total output in 1993 rising by more than 20 per cent in real terms.

On Friday, Sir Denys said that ICI's paints divisioo had often been the division to lead the company into new markets. This was the case in Taiwan where ICI has been manufacturing paints since the 1970s.

Over the past five years ICI has invested £350m in Taiwan. This culminated two years ago in the opening of a pure terephthalic acid (PTA) plant.

PTA is an essential ingredient in the manufacture of polyester fibre for the textiles industry – an industry which is growing rapidly in Taiwan and China.

ICI China is pursuing opportunities in three main business areas:

- Polyurethane. The company currently ships 20,000 tonnes of polyurethane from factories in the US and the Netherlands. It has established a liaison centre in Beijing and a technical development centre in Shanghai.

It wants to upgrade the Beijing office to a technical centre and by 1995 to have opened a "systems bouse", where customised polyurethane can be produced. The latter will cost up to £10m.

> 'As China has become more receptive to inward investment and more politically stable we have begun to take it more seriously'

- PTA. ICI's Taiwan plant produces 350,000 tonnes of PTA a year. Currently up to 10 per cent of output is exported to China, hut customers on the mainland want more. ICI's board is considering a proposal to double the capacity of the Taiwan plant, some of which would go to satisfying demand on the mainland.

One of ICI's main customers in China is Yizheng Chemical Fibre Company. Earlier this month ICI paid $7.7m (£5.3m) for a 2.5 per cent share of the company, which is to be listed shortly on the Hong Kong stock exchange.

Additionally, ICI has licensed its PTA manufacturing process to two mainland Chinese chemical companies.

- Paint. ICI has amhitious plans to invest in paint factories throughout China. It is currently assessing sites in and around Shanghai, and intends to invest in plants in Tianjin, Beijing, Wuhan and others.

For automotive paints, currently refinisb paints, it has about 300 outlets throughout the country. Last year it established 60 outlets to sell decorative paint and hopes to have 180 open by the end of 1995.

Mr Barry Matthews, managing director of ICI Swire Paints, said the company had no ownership of these retail and business outlets, however they tended to stock only ICI paints. "It is relatively rare in China to have such a broad distribution network," he said.

According to Mr Chandler, one of ICI's biggest challenges will be building up local management. The company believes that the biggest brake on its growth in China will be the supply of qualified and trained personnel.

"People are both the problem and an opportunity," he says. "In China the outlook and values are different, and trying to fit them into a western company is very difficult."

An added pressure is that with mainland management resources so scarce, ICI has been forced to take risks with people which it would not normally be prepared to do.

"We've been forced to take expensive decisions about people before we have really got to know them," says Mr Chandler.

Just Group plans to raise £260,000

The Just Group, the character licensing company, plans to raise £260,000 net of expenses via a placing of 18.8m ordinary 1p shares at 2.5p apiece.

The shares being issned, which represent 30.4 per cent of the enlarged capital, will be traded under Stock Exchange Rule 535/2. Broker to the placing is Keith, Bayley Rogers and the financial adviser is Clifton Financial Associates.

Just Group operates as an agent on bebalf of nine principals, and licenses the manufacture and sales of 300 approved prodncts with an emphasis on children's characters.

Mr Wilf Shorrocks, managing director, said tbe funds raised woold fioance tbe group's entry into the international market and open the door to animation concepts.

Rising house sales help lift Avonside to £5.5m

By Andrew Taylor, Construction Correspondent

Avonside, the building services and housebuilder floated off from Cannon Street Investments in 1992, increased pre-tax profits by 21 per cent to £5.51m in 1993.

The rise followed a drop in first half profits from £2.8m to £2.2m. Since then house sales had risen significantly and margins had also improved, Mr Christopber Glynn, chairman, said yesterday.

Even so margins fell slightly. Profits were belped by a £203,000 contribution from acquisitions, BS Glazing and Clydesdale Roofing, and a 21 per cent increase in the number of homes sold to 262.

The group operates in Scotland, north England and Wales. Turnover increased by 29 per cent to £66.3m (£51.5m). Mr Glynn said this was a satisfactory performance in difficult market conditions.

The proposed final dividend, is to be increased to 2.3p making a total for the year of 4.2p (4p). This is covered by earnings per share of 8.54p (7.08p).

Mr Glynn said prevailing economic conditions of low inflation, falling interest rates and a slight improvement in unemployment levels had encouraged an increase in house sales.

Margins in the building services division, bowever, had begun to recover from their recessionary low. The group expected house prices to stabilise in 1994 and for margins and prices in the building services division to continue to recover.

London Share Service changes

As from April 1 the following companies, which are investment trusts but which are not eligible for inclusion in the FT-SE Actuaries Share Indices, will be shown below the existing Investment Trusts grouping:

Brazilian Investment Trust; East German Investment Trust; Korea Europe Fund; Korea Liberalisation Fund; Latin American Investment Trust; Mediterranean Fund; Orieotal Smaller Companies Investment Trust Company; Scbroder Korea Fund; and Scottisb Asian Investment Company.

CrestaCare £341,000 in the black

By Maggie Urry

CrestaCare, the nursing home operator, swung from losses of £1.58m to pre-tax profits of £341,000 in 1993 in spite of the npheavals of a new management team, a withdrawal from property activities, a £33.3m share placing and a number of acquisitions. Turnover was £30.8m, against £25.9m.

Mr Andrew Taee, chief executive since March last year, said the group was now in shape and be predicted that it "will bloom" in 1994.

A final dividend of 0.5p (0.4p) is proposed to give a total of 0.75p (0.5p).

Profits were hit hy a £2.35m loss on property, including a £359,000 provision against the sheltered housing side. The property activities were cut from £9.4m to £600,000 over the year through sales and provisions.

The nursing home division increased turnover from £17.3m to £23.2m, helped by a 38 per cent increasa in bed numbers to 2,142.

The new community care legislation had reduced occupancy rates to 92.2 per cent, but had since recovered to 93 per cent.

Nursing homa operating profits rose from £4.16m to £5.12m, before exceptional charges of £385,000 covering compensation for the former chief executiva and relocation costs for Mr Taee.

Interest costs were £2.05m (£2.88m).

Gearing at the year end was 17.5 per cent, but the group has £22m of fixed rate debt paying 9.4 per cent, and casb on deposit earning a lower return.

Mr Taee said he could spend £35m taking gearing to about 60 per cent. Beyond that he aimed to use sale and leaseback deals to fund expansion rather than go to shareholders.

He said the group was looking at all areas of long-term bealth care from chronically sick children to elderly mentally ill.

A £554,000 tax charge left losses per share of 0.2p (1.9p) and a retained loss of £1.27m (£2m).

UK housing recovery and pension fund windfall build 85% advance

Wilson Bowden leaps to £31m

By Andrew Taylor, Construction Correspondent

Pre-tax profits at Wilson Bowden jumped by almost 85 per cent last year to £31.2m as the groop took advantage of the recovery in the UK housing market.

The figure included a £5.5m pension refund.

Without it pre-tax profits still rose by 52 per cent, from £16.9m to £25.7m.

Mr David Wilson, chairman, described this as a magnificent performance given the patchy nature of the recovery.

The group is proposing e 6.65p (6.2p) final dividend as forecast at its £57.2m rights issue in November, giving a total up from 8.7p to 9.3p.

Earnings per share, excluding the pension fund windfall, increased by almost 58 per cent to 22.4p (14.2p). Turnover increased by 45 per cent to £185.1m (£127.7m).

After the rights issue, which received 99.1 per cent acceptances, the group was left with net cash of £20.7m and shareholders funds of £232.2m.

Land purchases completed following the year end have left it with net debt of £4m.

This is expected to rise to abont £20m by the end of 1994 as the group pursues its target of building 3,000 homes a year by the late 1990s.

Last year it completed 1,860 bomes, a rise of 36 per cent. Honsing operating profits increased by 60 per cent to £32.1m, and the average price of a home rose from £75,000 to £83,900.

The increase was due to a change in sales mix towards more expensive, higher margin homes rather than an underlying increase in house prices, said Mr Wilson.

Profits from commercial property sales rose by 36 per cent to £6m (£4.4m). Mr Wilson said reduced demand for small industriel units meant that sales would become "more lumpy", but he would be disappointed if the group did not increase property profits in the current year.

David Wilson: a move towards more expensive homes

● COMMENT

Housing operating margins reached 14.7 per cent in the second half and will easily top 15 per cent in the current year. The group's strength is its long land bank with average plot costs of about £16,000, excluding land creditors. This compares with an average selling price likely to exceed £90,000 this year. Property profits will depend upon the timing of the sale of a £17m Leicester leisure development and £20m Northampton sbopping centre. But they should exceed last year'e £6m, increasing group pre-tax profits to £35.5m and putting the company on a prospective pe of 21: a must for any housebuilding portfolio.

Brightstone for market with £8.8m tag

By Simon Davies

Brightstone Properties, the property arm of the collapsed London United Investments is making an uncharacteristic entrance to the listed property sector, by placing its shares et a substantial discount to net asset value.

The company has been set up to buy Brigbtstone Estates from the administrators of Walbrook, an LUI subsidiary, for £8.15m. It will have an initial market capitalisation of £8.75m, compared with a net asset value of £10.3m, or 147p per share.

Brightstone has placed 6.9m shares at 125p, and Mr Richard Jacobs, the chief executive, has subscribed for a further 100,000.

The directors will own 13 per cent of Brightstone, and other backers will include PDFM, Jupiter Tyndall and Clerical Medical Managed Funds.

Despite the collapse of its parent group, Brightstone remained profitable throughout the recent property slump and has been managed independently.

Brightstone's net worth grew from £3.1m in 1982 to £10.25m, and its property portfolio is currently yielding 10 per cent against its December valuation of £12.9m.

Of the portfolio 69 per cent in the east Midlands, although Central House in Croydon is valued at £3.1m, accounting for 24 per cent of the portfolio.

Mr Richard Jacobs, chief executive, said Brightstone's properties had primarily been developed by the group. After suffering from the financial restraints imposed on its parent company, it plans to resume an active development programme.

The company is sitting on £3.7m of cash, which will be partially used to repay £1m of a £5.3m debenture. Pre-tax profit amounted to £400,000 in 1993, but property income was double debt repayments. The shares are being issued on a notional net yield of 3 per cent.

Recession in Europe takes toll on Doeflex

Pre-tax profits of Doeflex, the Surrey-based PVC and thermoplastic sheet mannfacturer, fell by £287,000 to £1.22m in the year to end-December as the recession in continental Europe began to take its toll.

Mr Richard Bickerton, chairman, said that many of the group'e UK markets had demonstrated growth, but the dominant feature had been its exposure to the first full year of the deep recession in continental Europe.

Turnover grew to £29.9m (£26.1m) but at the operating level profits were down from £2.29m to £1.98m. Tax took £296,000 (£494,000) and earnings per share emerged at 8.83p (12.28p).

The final dividend is again 3p, maintaining the total for the year et 4.6p.

Doeflex also announced the exchange of contracts for the sale and leaseback of its freebold property on the Hawkeworth industrial estate in Swindon, wbich bouses the main operating facility of its PVC division.

The property, which had a book value of £2.15m et the year end, has been sold to Conegate for £2.25m cash. Subject to completion, Doeflex will lease the property for 30 years at an initial rent of £240,000 a year.

The proceeds from the sale will be used to reduce debt.

BPI buys Nelson Packaging for £1.3m

Britisb Polythene Indnstries has acquired Nelson Packaging from St Ives for about £1.3m in cash.

Nelson, which makes carrier bags, had operating profits of £203,000 on turnover of £5.4m in the year to July 30 1993.

Language training fall behind decline at BPP

By David Blackwell

Shares in BPP, the education and training group, fell yesterday as the company predicted that this year would not be easy for the group.

BPP reported pre-tax profits for 1993 down from £6.7m to £6.3m, in line with the forecast given in a profits warning last November. The shares closed at 225p, down 20p on the day.

Slightly improved profits in three of the group's divisions were more than offset by e £728,000 loss (£207,000 profit) at Linguarama, the language training business.

Mr Richard Price, chairman, said the group continued to do well in areas wbere exams were being taken, but was under pressure in more discretionary areas, such ae language training. He blamed Linguarama's loss on a worsening economic climate almost everywhere in continental Europe.

During the year the group withdrew from language training in Japan and Belgium, taking a loss on the disposal of £219,000 on top of e £650,000 provision made in 1992. Turnover in the division fell from £17.5m to £15.3m.

New competition held back the performance of BPP Publishing, where trading profits edged ahead from £3.29m to £3.31m on turnover up from £14.3m to £14.9m.

Profits in the professional training division also edged ahead from £2.47m to £2.83m on turnover of £15.4m (£12.6m).

The main profit generator in the division is accountancy training. Over the past five years the number of chartered accountancy students has fallen from about 17,500 to 11,500, but the number of non-chartered accountancy students is rising steadily.

The academic training division, which has four A-Level centres, boosted profits from £306,000 to £409,000 on turnover down from £4.36m to £4.25m.

Earnings per share fell from 14.5p to 13.2p. The group's total turnover edged ahead from £48.7m to £49.8m.

The board is proposing to lift the final dividend is from 5.3p to 5.8p, taking the total for the year to 8.8p (8p).

Keller floats with valuation of £70m

By Andrew Bolger

Keller, e specialist in ground engineering, will be floated next month through a placing and intermediaries offer giving it an estimated market value of £70m. A former engineering offshoot of GKN, Keller was bought by its management for £26m three years ago, backed by funds led by Candover Investments.

It will use the proceeds to repay debt and finance further overseas expansion. Projects outside the UK account for more than 80 per cent of sales.

In spite of recession, Keller has increased operating profits by 46 per cent since 1991 from £6.3m to £9.2m on turnover up by 30 per cent to £148m.

Most of Keller's sales and profits come from Austria and Germany, where the company has benefited from infrastructure improvements.

Although established by GKN as a site investigation business in the early 1950s, the group takes its name from Johann Keller, a German specialist company which it bought in 1974.

In 1984, the group expanded into the US by purchasing Hayward Baker, a company specialising in grouting – strengthening ground and reducing waterflows. In January this year Keller paid $9m for Case International, a Chicago-based foundation engineer which it said would complement Hayward Baker and will lift the group's North American sales to in excess of $70m.

The float is expected to raise about £30m of new money and about 75 per cent of the company's equity will end up being held by institutions and private investors.

Full-time side helps EW Fact advance 57%

A continuing higb level of demand for its full-time courses enabled EW Fact, the acconntancy and banking tuition group, to show e 57 per cent increase in 1993 pre-tax profits from £862,000, restated for FRS 3, to £1.35m.

Turnover was 6 per cent bigher at £4.98m (£4.67m). The pre-tax figure was also helped by a one-off credit of £235,000 in settlement of property rights and lower interest charges of £42,000 (£101,000). Borrowings fell over the year from £1.06m to £92,000.

Mr Emile Woolf, cbairman, said there had been a satisfactory start to the present year in both of the main businesses, Emile Woolf Colleges and ATL Group, which was acquired at the end of the year.

Earnings per share were 13.19p (7.44p). A final dividend of 2.98p is recommended for a total 4.74p (4.31p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for trading on 23.03.94: Pool purchase price £/MWh	Post Prices for Trading on 22.03.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.82	16.70	16.70
0100	15.53	16.80	16.80
0130	15.62	19.04	21.97
0200	15.62	18.82	21.66
0230	15.58	19.04	21.87
0300	15.58	18.82	21.65
0330	15.58	18.82	21.65
0400	10.96	16.80	16.80
0430	10.84	16.74	16.74
0500	10.83	16.66	16.66
0530	10.91	16.65	16.65
0600	10.91	16.66	16.66
0630	10.97	16.90	16.90
0700	15.69	18.84	21.68
0730	14.43	18.84	21.58
0800	14.83	18.89	21.87
0830	16.04	19.35	22.33
0900	16.05	20.36	23.79
0930	16.07	21.43	24.54
1000	16.08	22.28	25.86
1030	16.07	22.85	26.59
1100	16.05	23.67	27.84
1130	16.05	27.38	31.93
1200	16.05	29.80	34.62
1230	16.05	30.14	35.18
1300	16.05	27.80	32.16
1330	15.93	24.21	28.06
1400	14.84	21.51	24.95
1430	14.81	18.60	18.60
1500	14.80	18.29	18.29
1530	15.78	18.01	18.01
1600	14.81	18.31	18.31
1630	14.84	20.02	20.02
1700	14.83	26.89	31.28
1730	15.85	35.31	41.27
1800	15.82	48.63	57.96
1830	16.05	52.52	60.96
1900	15.88	45.31	52.47
1930	16.37	31.70	36.36
2000	16.36	21.37	24.57
2030	16.04	19.25	22.15
2100	16.03	18.71	21.68
2130	15.82	18.66	21.49
2200	15.76	18.29	21.12
2230	15.85	18.96	18.96
2300	14.00	18.66	18.66
2330	10.84	16.61	16.61
2400	10.80	16.56	16.56

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounding to two decimal places. [illegible]

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New car market showed recovery while used car prices firmed

Pendragon rises 41% to £7.4m

By Paul Taylor

Stronger demand and improved margins helped Pendragon, the luxury and executive car dealer, report a 41 per cent improvement in 1993.

Pre-tax profits rose to £7.37m, against £5.23m last time, on turnover up 29 per cent to £276.4m (£214.6m), including £5.59m from acquisitions.

Earnings per share emerged at 14.1p (11.8p) out of which an increased final dividend of 4.8p (4.4p) is being paid, raising the total for the year to 7.2p (6.6p). Despite the increase the shares closed 2p lower at 304p.

Mr Trevor Finn, chief executive, said: "New and used car profits, after-sales contributions and profits from the contract hire business, all showed improved results to 1993.

Operating profits grew by 31 per cent to £8.99m (£6.87m). Interest costs were flat at £1.62m (£1.64m).

Buoyed by the general car market recovery, new car gross profits increased to £11.7m (£9.1m). Similarly the increased availability of nearly-new cars enabled the group to sell more used cars at higher margins. Overall used car gross profits increased by 82 per cent from £2.3m to £4.2m.

Firmer used car prices also helped lift the profitability of Pendragon's contract hire business, which turned in a 73 per cent gain in profits to £2.5m (£1.4m).

Meanwhile the contribution from parts, service and bodyshop activities – the mainstay of profit growth throughout the recession – increased to £20.4m (£16.9m.)

The group ended the year with net debt of £8.2m (£8.8m) representing gearing of 16 per cent.

● **COMMENT**

Pendragon has used the proceeds of last year's £16.6m rights issue wisely, and now has the largest gronping of executive and luxury car franchises in the UK. Future growth is likely to come from adding franchises to existing sites, somewhat greater representation in the volume segmeot of the market and an expansion of the contract hire business. Meanwhile the upturn in tbe UK luxury market lagged the geoeral upturn so Pendragon should see further benefits this year. Pre-tax profits of about £9.2m are likely, producing earnings of 16.8p and a reasonable prospective p/e of about 18.1.

Arlington Secs falls by £7.75m

By Vanessa Houlder, Property Correspondent

Arlington Securities, tbe husiness park subsidiary of British Aerospace, announced a reduction in pre-tax profit from £12.9m to £5.1m for 1993, after £5m of provisions against rental guarantees on property sales in previous years.

Turoover increased from £74.5m to £121.5m, because of land sales, institutional sales and speculative pre-funds from its eight business parks.

Arlingtoo let 400,000 sq ft of space (387,000 sq ft), in what was described as a very difficult market hy Mr Patrick Deigman, chief executive.

The annual report was accompanied by a press statement concerning criticisms that Arlington, which was bought at the peak of the last property cycle, has been a liability to its parent company. "British Aerospace's so-called property 'hlack hole' owes more to science fiction than to reasoned analysis of the property market," it said.

Arlington separated from the remainder of BAe's property interests in December 1992, with a view to concentrating the management's effort on husiness parks and preparing for a possible flotation in a few year's time. At present, BAe describes Arlington as a core husiness because of its role in masterplanning BAe's disused sites.

Arlington said that the clamp-down on out-of-town developments signalled hy Mr John Gnmmer, environment secretary, would enhance the value of its land bank.

The company has land capable of sustaining 13m sq ft of space with planning permission, as well as land capahle of sustaining a further 8m sq ft of space that is going through the planning process.

Net current assets increased from £116.6m to £168.4m. There is a dividend of £3m for BAe.

Beazer offer 1.3 times subscribed

The public offer of shares in Beazer Homes, the UK's fourth largest househuilder being floated by Hanson, attracted applications for 91.8m shares, 1.3 times the 70.2m available, writes Maggie Urry.

A further 210.6m shares were placed firm with institutions. The shares were priced at 165p, making the retail offer worth £115.8m and valuing the company at £463.4m.

Applicants in the pnblic offer for 105,000 shares or less will receive the full amount. Those who asked for more than that will receive 105,000 shares. Most larger investors bought in the placing.

On this basis 99.8 per cent of the 33,615 applications under the public offer will be met in full. Dealings in the shares start on March 25.

Strong advance for Hibernian

By Simon Davies

Hibernian Group, the Dublin-based insurance and financial services company, yesterday announced a surge in 1993 pre-tax profits from I£5.66m to I£47.4m (£45.7m).

Tbe figure, however, was based on revised accounting policies and included I£27m from investment profits, compared with previous losses of of I£11.9m.

Operating profits roae to £20.27m, a 16 per cent increase over 1992's £17.53m.

The gronp's core general insurance business performed strongly in 1993, despite an increase in claims related to adverse weather. Profits of the division rose hy I£1.4m to I£16.8m on the back of a 13 per cent increase to gross written general insurance premiums to £200.4m.

Hibernian has been expanding into the UK and has 16 offices, which hrought in I£27m of premium income, an 18 per cent increase from 1992. It has also been building up its life insurance business, which contributed £3.4m, an increase of 63 per cent, aided by a broader range of products.

Investment profits, including unrealised gains, reflected the performance of Irish equities and bonds following last year'a devaluation of the punt, which also increased translated profits on overseas holdings.

Mr Cecil Hayes, general manager finance, said the investment performance under the new accounting policy would be volatile, hut it had averaged a I£3m profit over the past decade.

The company is continuing to expand its life assurance business and hroaden its exposure to the UK.

Earnings per share, pre-investment profits but after tax, amounted to 26.2p (22.6p). A recommended final dividend of 4.7p makes a 7p (6.2p) total.

Newport Holdings placing

Newport Holdiogs, the property investment group, is planning a placing of 5.3m 25p ordinary shares at 100p through hrokers Rowan Dartington, after which it will apply to be admitted to the Official List.

Dealings in the 6.1m issued ordinary shares are expected to commence by Marcb 28, and the company will be capitalised at £6.1m.

The proceeds of the placing will he used primarily to finance the purchase, at a discount to market value, of property portfolios.

NM Smaller Tst seeks £33.7m

The NM Smaller Australian Companles Trust is seeking £33.7m net via a placing and intermediarles offer of up to 35m C shares at 100p.

Some 7m of the shares have been reserved for the intermediaries offer while indications of interest from prospective placees have been received for 26m shares.

Existing share and warrant holders will be given priority application forms. Sponsor to the issue is NatWest Securities.

Dealings are expected to commence on April 14.

The placing and intermediaries offer is conditional on approval of share and warrant holders and subscriptious being received in aggregate for at least 15m C shares.

Orb Estates £14m property disposals

Orb Estates is selling non-performing properties valued at more than £14m, inclnding a portfolio of two Englisb and tbree Scottisb properties, to Barlows for £5.2m.

The directors stated that the gronp had acqnired the head office of Scotia Investments, which is located in Guildford, Surrey, for less than £1m.

Marks and Spencer forges Turkish link

By John Murray Brown in Istanbul

Marks and Spencer, the stores group, has formed its first franchise operation in Turkey linking with a local petrol and fast foods group.

M&S has announced that Turk Petrol Holding, an oil retailer 42 per cent owned by Burmah Castrol, had been chosen from some 46 original applications.

The venture will make use of the marketing opportunities provided at TPH's outlets, although the company stressed the main reason for the link up was TPH's "entrepreneurship and progressive management".

TPH has more than 650 retail filling stations throughout Turkey, 10 per cent of a market which is growing by 5 per cent a year. TPH is also expanding its consumer business and is the local franchisee to Wendy Hamburger.

M&S franchise will open one store before the year end, stocking a full range of clothes and household appliances. The company said it wanted to "keep pace with the opportunities".

Turkey's retail sector is growing rapidly in line with urbanisation, ristog incomes and a new awareness of foreign brands. Carrefour of France opened its first megastore last November. The French stores, Prisunic and Promodes of France, are both to negotiations with local partners.

Xtra-vision petitions for appointment of examiner

Xtra-vision, the USM-quoted video rental stores operator, has petitioned the High Court for the appototment of an examiner.

The Ireland-based company said the protection afforded by the examiners legislation would best facilitate the necessary restructuring and should enable discussions, which have been taking place with investors, to progress to a satisfactory conclusion.

The company, whose shares were suspended at 2¼p, came to the USM in 1989. The shares at one point reached 100p.

Over-expansion, an inappropriate depreciation policy and the growing impact of satellite TV on the market, caused the company to run into financial difficulties by 1991 with debts of I£18m (£17m).

Debts have since been reduced to I£11.5m, but it is apparently having difficulty making repayments under a restructuring agreement with bank creditors made in August last year, and is facing contingent liahilities of np to I£500,000 a year in the UK.

Examinersbip bas been sought as a means of maintaining the company as a viable trading unit.

NEWS DIGEST

£177,000 pay rise for ICI chief

Sir Denys Henderson, chairman of ICI and Zeneca, saw his total pay jump from £527,000 to £704,000 last year. The £177,000 increase was largely the result of a £149,000 bonus linked to the demerger of Zeneca from ICI and the performance of both companies.

Mr Ronnie Hampel, chief executive of ICI, received a total of between £475,000 and £480,000 up from £350,000-£355,000. His salary rose from £340,840 to £425,000.

English & Scottish lifts asset value

English & Scottisb Investors lifted its net asset value per ordinary and B share from 106.7p to 144.4p over the year to January 31.

Net available revenue for the 12 months improved from £3.16m to £3.18m for earnings per ordinary share of 1.96p (1.95p).

A second interim dividend in lieu of a final was declared last month for an unchanged 1.75p total. A maintained interim of 0.010938p per B share was also declared.

Ricardo US acquisition

Ricardo Group, the engineering consultancy, is acquiring Airflow Sciences Corporation, of Detroit, Michigan, for an initial $2.26m (£1.54m) to cash and shares.

Further consideration to a maximum $4.74m is dependent on ASC's performance to 1999.

Trafford Park rises to £2.44m

Turnover of Trafford Park Estates, the property investment, management and development concern, edged ahead from £4.87m to £4.98m and pretax profits expanded to £2.44m for the six months ended December 31 1993, compared with £1.74m.

Earnings per share were 2.413p, against 1.72p, while the interim dividend is lifted to 0.95p (0.85p) – last year's final payment was 1.85p from pretax profits of £4.12m.

The directors stated that the general outlook for the full year, and long-term prospects for growth, were promising with further increases in rental income anticipated.

Govett Global £50m placing

Govett Global Smaller Companies Investment Trust has announced an issue of up to 50m ordinary shares, with warrants attached, of 100p each. Of this amount, 20m have been placed, with the balance available in an offer for subscription which will close on April 13.

Aran Energy $6.9m oil and gas field buy

Aran Energy, the Dublin-based oil and gas exploration and development company, is buying a 100 per cent working interest to a Louisiana oil and gas field for $6.9m (£4.7m) satisfied by loan notes.

The field covers mature leases and Aran believes there is a potential for redevelopment which could result in significant additions to existing reserves.

Mercury purchase multimedia stake

Mercury Communications, wbose parent company is Cable and Wireless, has made its first investment in a multimedia group with the acquisition of 36.8 per cent of M.33, for £3.75m.

M.33 produces reference books and multimedia products under tha Andromeda Oxford and Andromeda Interactive names.

Mercury bas electronic on-line distributive rights, allowing it to market Andromeda toteractive products directly to consumers.

De La Rue acquires cheques maker

De La Rue, the security printer and casb-handling machine maker, has acquired MB-Clarke, a maker of cheques and other security documents, from Caradon.

The net assets acquired are less than 1 per cent of both De La Rue's and Caradon's net assets.

Caradon said that the husiness was now peripheral to its main UK businesses which are in the huilding products sector.

COMMODITIES AND AGRICULTURE

Disappointed oil explorers may cut Barents Sea losses

By Karen Fossli in Oslo

Oil companies operating in Norway may decide to suspend activity in the Bareots Sea after 13 years of disappointing results from 52 exploration wells costing an estimated NKr10bn (£910m). Several wells have yielded natural gas, but they are not considered commercially exploitable because of the long distances to markets and high development costs.

With the current low level of oil prices and the high costs of exploring the remote region, companies say activity in the area is an "exotic indulgence".

Recognising the decline in oil company interest in the area, the government recently proposed more attractive terms and conditions for exploring there. The authorities earlier linked the award of the most attractive Norwegian shelf exploration acreage to company commitment to invest in high-risk acreage such as the Barents Sea.

Many oil companies have welcomed the proposed changes but nevertheless say they do little to enhance prospectivity, given low oil prices, distances to markets and Norway's stringent tax regime.

Statoil, the Norwegian state oil company, says it must develop new strategies before it proceeds and is not likely to drill a new well in the region for at least two years. The group has spent some NKr2.5bn, about 25 per cent of total oil company exploration costs there.

"We're at a crossroads, and must soon decide whether – and how – we are going to continue in the southern Barents Sea or switch our attention to other parts of the Norwegian shelf," Mr Tor Fjaeran, Statoil senior vice president for domestic resource development, said recently.

He welcomed the new proposals but stressed that the potential for finding hydrocarbons – particularly oil – was the principal factor determining Statoil's commitment.

Mr Fjaeran said oil companies' expectations for the region had been reduced because of the dominance of gas. "The area is primarily a gas province and no way has been found for selling the gas already discovered," he said.

At the same time, according to Mr Fjaeran, present geological information suggested that only small oil discoveries could be expected, while environmental challenges added to costs.

Statoil recently completed testing a Barents Sea discovery that yielded a high gas flow and low oil production and established that the find, though technically producible, was not commercial.

The Norwegian Petroleum Directorate, the industry watchdog, estimates the potential recoverable petroleum reserves of the region at 1.12bn tonnes of oil equivalent, of which oil accounts for 190m and gas 930m. About 260m tonnes of petroleum has been discovered, it says.

Mobil Exploration Norway, a pioneer explorer in the area, has spent about NKr750m to drill seven wells. "We have not completely lost interest, but we have to look at the Barents Sea compared with other prospective areas," says a company executive.

"Although we appreciate the new proposals, the fiscal regime is still the same."

"Saga Petroleum, Norway's largest independent oil company, spent about NKr150m exploring in the Barents Sea. "We feel the Barents Sea is still interesting given its size and, there are new explorations models but, given the small amount of oil discovered so far, it is hard to justify investment in the area right now," says a Saga executive.

Norsk Hydro, Norway's biggest listed company, has spent about NKr1.7bn in the region but says it will continue to evaluate future activity.

Green light close for Brazilian gas bonanza

By Sally Bowen in Lima

Within the next couple of weeks, Royal Dutch Shell will sign an agreement with the Peruvian government that is expected to lead to the development of the huge Camisea natural gas fields discovered by the company in 1986. Earlier attempts to sign an exploitation contract under the left-of-centre Alan Garcia regime foundered for political reasons.

Now, with a new hydrocarbons law in place, a liberal economic regime and renewed investor confidence, the chances of real agreement look bright. Development of Camisea – located in the south-eastern jungle in Cuzco department – will increase Peru's current reserves position almost sevenfold.

"Our interest in developing Camisea has never lapsed," said Mr John Auger, Shell's representative in Lima, at the weekend. Under the new agreement, Shell – together with Peruvian experts – will carry out a feasibility study, expected to take some fourteen months. By late May 1995, the company should be negotiating a development contract which, in turn, should be signed by December 1995.

Camisea is Peru's biggest ever find and, when developed, will represent the largest single investment in the country's history. Probable reserves amount to 11 trillion [million million) cubic feet, or the equivalent of 1.7bn barrels of oil. In addition, according to Mr Auger, the three deposits in the Camisea field already identified contain some 500m recoverable barrels of liquid petroleum gas.

"And there's the possibility of finding yet more in the same area," said Mr Auger.

Development of Camisea has become a matter of some urgency for Peru. For lack of exploration over the past decade, oil reserves have slumped to about 350m barrels and the country has been forced to import some of its light crude requirements. The national electricity deficit is variously estimated at between 300MW and 500MW.

One of the options Shell will be considering is the installation either in Lima or in the Camisea area of thermal power stations to generate electricity from Camisea's gas. Another option is to lay a gas pipeline hundreds of miles across the Andes to Lima. If eventually built, this would be the highest in the world.

Mr Auger was reluctant to speculate on the scale of possible future investment, although earlier studies would indicate something between $1bn and $2bn. In the 1980s, Shell invested over $300m in initial exploration work. It seems likely that it will seek consortium partners for Camisea's eventual development.

EU shows flexibility on banana regime

By Alison Maitland

The European Commission yesterday signalled that it was prepared to be flexible in its dispute with Latin American countries over banana imports by fixing a much higher import quota than usual for the second quarter of this year.

It set the quota at 590,120 tonnes, about 60,000 tonnes higher than the average of second quarter imports over the past four years.

The move came as the European Union awaited word from Costa Rica on whether it would drop its complaint to the General Agreement on Tariffs and Trade abont the EU's preferential banana trading arrangements with former colonies in Africa, the Caribbean and the Pacific under the Lomé convention.

The EU is expected to resubmit its offer to increase the annual Latin American quota to 2.2m tonnes over two years from the 2m tonnes fixed last July if Costa Rica joins Colombia, Nicaragua and Venezuela, the other three main suppliers, in abandoning the complaint.

A meeting is provisionally scheduled for tomorrow between Mr René Steichen, EU agriculture commissioner, and Mr Roberto Rojas, the Costa Rican foreign trade minister.

"Wa've had no indication from them that they're prepared to accept our offer, but we would hope to find a solution," said a commission official.

The rise in the second quarter quota is in response to applications for import licences for that amount, which corresponds to 29.5 per cent of the annual 2m tonne quota.

"It doesn't mean the 2m tonnes will change," said the official. "Bnt the facility is there to import more if there's a demand and we're willing to use these mechanisms.

"By accepting all the licence demands, no one can turn round and say to us that it's the regime which is causing the rise in prices."

Coffee pact talks begin

By Alison Maitland

The International Coffee Organisation embarked yesterday on a 10-day meeting that could decide its future existence. The 56-member body is due to agree a new international coffee pact to replace the 1983 accord, which has been extended four times.

But the 40 coffee-producing countries disagree with the 16 importing members about whether the new pact should contain the option to re-introduce measures to regulate the market, such as export quotas.

Such "economic" mechanisms were dropped from the old agreement in 1989 and coffee consuming countries want the new pact to remain merely administrative, providing a data base and research on the coffee market.

If the ICO council cannot agree a new pact, it may meet again shortly, to extend the current one yet again or to abolish it, said an official.

The producer and consumer sides were discussing their respective positions yesterday and an outcome on the pact is not expected until towards the end of the meeting on March 30. Producers, basking in the success of their export retention scheme in buoying prices, would like the new accord to enable the council to implement economic measures.

India not yet ready for tea imports

By Kunal Bose in Calcutta

The indian federal government has decided against allowing the import of bulk tea for re-export.

At the same time, however, Mr Pranab Mukherjee, the commerce minister, has told local tea producers, who are against imports of any kind, that he finds no "inherent contradiction in the simultaneous export and import of the same commodity".

"It is very important", he says, "that India retains the image of a sustainable steady supplier of commodities. In times of domestic shortages we may resort to import to maintain export. It is never easy to regain a lost market."

Mr Mukherjee thinks that the Indian Tea Board production target of 1bn kg of tea by the turn of the century is ambitious. Last year India's crop was a record 760m kg, against 701m kg in 1992 and 742m kg in 1991. The minister has expressed concern that "with the domestic consumption of tea going up by 15m to 20m kg a year, there is a pressure on the exportable surplus."

Mr SM Dutta, chairman of Hindustan Lever, who is spearheading the tea import campaign has also cast doubt on India hitting its turn of the century production target. Those in favour of import point out that the rate of growth in domestic consumption of tea is higher than the production growth rate. They also contend that with annual consumption of tea in India being only 65kg a head, there is considerable scope for growth. This, however, is not possible without import, if Indian tea exports are not to be affected.

Even then Mr HP Barooah, chairman of the Indian Tea Association, admits that "one day, some countries may be in a position to offer good enough tea to the Indian consumer at a competitive price. If the price is attractive and the quality acceptable, the Indian consumer may not be willing to pay the extra high price for Indian tea, even though it may have an edge in quality".

The basic problem in India, Mr Barooah points out, is that because of the low productivity of workers (730kg per man-year) and of land (1,610kg a hectare in north India, where quality tea is grown), the country has become a high cost producer. The cost of production of north Indian tea is $1.60 a kilogram, compared with about $1 in Kenya.

According to Mr Barooah him, the Indian tea industry cannot ask for protection when the country's business is being globalised. In the long run, the import of tea can be avoided only by making the domestic industry competitive in terms of quality and price, he warns.

MARKET REPORT

Copper retreats

A technical sell-off in late afternoon trading saw the London Metal Exchange three months delivery COPPER price tumble below $1,950 a tonne to find underlying support towards the $1,940 level.

Copper's weakness spilled over into the ALUMINIUM market, where the three mooths price fell back to test support under $1,330-a-tonne following waves of speculative and trade selling.

Commission house huying helped to underpin ZINC.

Compiled from Reuter

Platinum shaft closed

By Matthew Curtin in Johannesburg

Impala Platinum, the world's second biggest platinum producer, has closed a marginally-profitable shaft with the loss of more than two thousand jobs. It now employs about 35,000 workers, having shed more than a third of the workforce in the past two years in a bid to preserve profitability at a time of steadily declining metal prices.

A company official yesterday said that the six-year-old shaft had been beset by underground mining difficulties, which had led to it being operated at only half of its rated capacity. Its closnre would have a marginal impact on the group's overall platinum output of more than 1m troy ounces a year.

She added that the closure of the shaft would improve Impala's working costs in the year ahead. "Limited development work will continue as Impala plans to re-open the shaft when market conditions improve," she said.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1308-9	1332-3
Previous	1323-4	1346-7
High/low		1342/1327
AM Official	1314.5-5.5	1339-9.5
Kerb close		1327-8
Open int.	271,108	
Total daily turnover	52,918	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1295-300	1310-5
Previous	1304-9	1316-8
High/low		1320/1310
AM Official	1300-05	1315-8
Kerb close		1310-12
Open int.	4,450	
Total daily turnover	1,456	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	462.5-3.0	477-8
Previous	462-3	476-7
High/low		482/471
AM Official	462-2.5	475-6
Kerb close		472.5-3.5
Open int.	33,660	
Total daily turnover	4,319	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5650-60	5715-20
Previous	5720-30	5780-80
High/low		5780/5680
AM Official	5680-8	5745-50
Kerb close		5880-5
Open int.	50,359	
Total daily turnover	7,858	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5535-40	5585-90
Previous	5540-50	5590-5
High/low		5630/5540
AM Official	5560-5	5615-20
Kerb close		5570-80
Open int.	19,555	
Total daily turnover	2,619	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	956.5-7.5	977-8
Previous	955.5-6.5	975.5-6.0
High/low		985/971
AM Official	954-4.5	974-5
Kerb close		978-9
Open int.	107,876	
Total daily turnover	28,918	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1933-4	1945-6
Previous	1956-8	1968-9
High/low		1960/1942
AM Official	1940-1	1954-5
Kerb close		1942-3
Open int.	227,745	
Total daily turnover	81,979	

■ LME AM Official £/$ rate: 1.4830
LME Closing £/$ rate: 1.4840

Spot:1.4840 3 mths:1.4793 6 mths:1.4766 9 mths:1.4749

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Mar	91.00	-1.65	91.90	90.75	2,640	659
Apr	90.85	-1.65	91.15	91.10	1,159	370
May	90.70	-1.50	92.10	90.55	42,241	8,958
Jun	90.45	-1.15	90.40	90.40	923	2
Jul	90.30	-1.15	91.35	90.10	11,291	1,417
Aug	90.10	-1.15	-	-	472	69
Total					99,526	12,850

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.00-386.40	
Opening	386.10-386.50	
Morning fix	386.80	260.858
Afternoon fix	386.45	260.323
Day's High	387.80-388.20	
Day's Low	385.00-385.40	
Previous close	386.00-386.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.23	6 months	3.50
2 months	3.32	12 months	3.79
3 months	3.38		

Silver Fix	p/troy oz.	US cts equiv.
Spot	364.40	540.75
3 months	366.80	545.50
6 months	373.80	551.25
1 year	382.55	563.50

Gold Coins	$ price	£ equiv.
Krugerrand	388-391	261-264
Maple Leaf	397.55-400.05	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	385.8	-1.3	-	-	-	-
Apr	386.3	-1.3	388.6	386.1	57,532	19,014
May	387.4	-1.3	-	-	-	-
Jun	388.6	-1.3	391.0	388.3	40,876	6,738
Aug	391.1	-1.3	393.2	391.4	7,682	215
Oct	393.7	-1.3	-	-	4,384	91
Total					144,472	26,323

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	403.0	+0.7	404.0	400.0	9,136	1,658
Jul	403.7	+0.7	404.5	401.0	9,826	1,777
Oct	404.2	+0.7	404.5	404.0	1,169	89
Jan	404.6	+0.7	-	-	574	4
Apr	405.7	+0.7	407.0	405.5	680	44
Total					21,385	3,481

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	134.35	+0.25	-	-	14	-
Jun	134.10	+0.25	134.15	133.25	3,929	47
Sep	133.80	+0.25	-	-	398	-
Dec	133.30	+0.25	134.25	133.50	181	-
Total					4,522	47

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	542.0	+0.7	543.5	542.0	893	132
Apr	542.3	+0.6	-	-	5	13
May	544.2	+0.5	545.5	542.0	87,956	9,808
Jul	548.1	+0.5	550.0	546.0	17,848	1,585
Sep	552.3	+0.5	554.0	551.5	4,881	162
Dec	558.6	+0.5	561.0	557.0	9,720	467
Total					111,023	12,148

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	14.95	+0.07	15.06	14.84	44,829	26,134
May	14.87	+0.03	15.05	14.80	100,352	38,950
Jun	14.93	+0.03	15.00	14.87	89,718	14,271
Jul	15.04	+0.04	15.09	14.97	31,853	6,338
Aug	15.14	+0.04	15.20	15.12	16,533	1,742
Sep	15.22	+0.04	15.24	15.24	19,395	1,227
Total					422,254	91,782

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	13.77	+0.14	13.79	13.67	60,915	21,292
Jun	13.65	+0.11	13.68	13.57	23,261	8,210
Jul	13.75	+0.11	13.76	13.64	15,083	1,938
Aug	13.83	+0.14	13.84	13.73	9,494	410
Sep	13.92	-0.02	13.85	13.92	4,110	54
Oct	14.04	+0.04	14.05	13.95	2,003	132
Total					119,252	31,925

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	44.50	+0.03	44.85	44.20	33,836	9,504
May	43.25	+0.01	43.45	43.10	50,381	5,358
Jun	43.25	+0.07	43.45	43.05	34,950	2,099
Jul	43.80	+0.06	43.95	43.80	22,120	471
Aug	44.50	+0.01	44.95	44.50	9,630	456
Sep	45.60	+0.01	45.60	45.60	8,341	408
Total					185,985	17,859

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	138.75	+1.50	139.00	138.00	28,280	4,516
May	138.25	+1.25	138.75	137.75	16,865	2,965
Jun	138.50	+1.50	138.25	137.75	19,127	1,447
Jul	139.75	+1.00	140.00	139.00	12,201	729
Aug	142.00	+1.25	141.75	141.00	5,589	174
Sep	143.75	+1.25	143.75	143.25	3,331	79
Total					109,100	10,844

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	2.067	-0.038	2.095	2.055	14,412	5,869
May	2.110	-0.026	2.130	2.105	14,214	2,829
Jun	2.115	-0.015	2.125	2.110	9,799	1,019
Jul	2.115	-0.015	2.125	2.110	8,186	867
Aug	2.130	-0.010	2.135	2.125	8,992	590
Sep	2.150	-0.010	2.159	2.145	10,488	474
Total					121,446	13,414

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	45.75	-0.17	46.10	45.75	27,174	9,524
May	46.40	-0.16	46.70	46.40	45,591	7,313
Jun	46.90	-0.08	47.00	46.75	22,612	1,922
Jul	46.90	+0.02	47.05	46.90	8,672	1,611
Aug	46.60	-0.01	46.70	46.60	7,297	681
Sep	46.30	-0.01	46.40	46.25	4,806	741
Total					120,048	22,093

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.55	+0.05	105.70	105.50	15	20
May	106.55	-0.05	106.75	106.40	1,464	134
Jul	107.00	-0.15	107.30	107.00	532	26
Sep	93.25	+0.15	93.25	93.25	291	15
Nov	94.10	+0.20	94.00	94.00	1,187	38
Jan	96.00	+0.25	96.00	95.90	611	89
Total					4,238	362

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	332/2	-3/6	338/0	332/0	-	1,020
May	336/6	-2/4	340/2	336/4	83,210	11,745
Jul	325/6	-0/4	328/0	325/2	99,760	13,525
Sep	328/0	-0/6	329/6	327/2	17,915	1,690
Dec	337/4	+0/2	338/0	336/0	22,870	970
Mar	340/4	+0/4	-	-	20	-
Total					228,185	28,990

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	279/4	-1/4	281/2	279/0	5,350	8,815
May	285/6	-1/0	286/6	285/0	582,520	119,180
Jul	289/0	-1/2	290/2	288/2	580,660	56,455
Sep	276/4	-1/2	278/0	276/0	133,435	5,600
Dec	263/2	-1/6	263/0	262/4	287,430	31,995
Mar	269/4	-1/6	270/4	268/6	19,790	805
Total					1,691M	223,480

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	104.63	-	-	-	7	-
May	105.75	+0.50	105.50	105.50	186	5
Sep	93.90	-	-	-	139	-
Nov	95.70	-	-	-	89	-
Jan	97.75	+0.25	97.75	97.75	13	-
May	98.25	-	-	-	-	-
Total					434	10

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	688/0	-3/0	689/4	685/0	3,195	4,835
May	688/6	-2/6	691/0	685/6	294,570	118,880
Jul	689/4	-2/6	692/0	686/4	241,880	38,095
Aug	682/2	-2/6	684/4	680/0	38,185	4,170
Sep	664/6	-1/6	667/0	663/0	20,980	1,220
Nov	652/4	-1/2	654/4	650/0	154,800	17,830
Total					778,475	185,950

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	29.17	+0.05	29.25	28.92	1,107	524
May	29.08	+0.05	29.20	28.83	33,740	6,386
Jul	28.98	+0.05	29.13	28.75	27,427	3,204
Aug	28.57	+0.09	28.71	28.35	8,079	292
Sep	28.07	+0.07	28.15	27.82	8,285	225
Oct	27.31	+0.16	27.42	27.00	6,251	282
Total					99,337	12,828

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	193.3	-1.7	195.0	193.0	577	531
May	194.5	-1.9	196.1	194.0	29,914	4,219
Jul	195.2	-1.7	196.8	194.6	24,638	2,436
Aug	194.4	-1.4	195.8	194.1	7,029	258
Sep	192.7	-1.9	194.2	192.5	9,806	158
Oct	190.5	-1.4	191.5	190.5	3,017	18
Total					80,604	8,858

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	192.5	+10.0	190.0	180.0	683	42
May	206.0	+5.5	208.5	205.0	521	103
Jun	130.0	-	-	-	2	-
Nov	80.0	-	-	-	-	-
Apr	128.3	+0.5	127.0	125.0	-	-
May	140.0	-	-	-	-	37
Total					1,439	182

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1178	-2	-	-	296	-
Apr	1260	+5	1260	1270	1,013	43
May	1266	-2	1266	1266	500	86
Jul	1153	-1	1157	1160	567	13
Oct	1280	-4	-	-	227	-
Jan	1330	-10	1340	1340	77	10
Total					2,767	132

	Close	Prev
BFI	1152	1140

Tea

The Tea Broker's Association reports, Good general demand. Bright East Africans were dearer following quality with coloury mediums also fully firm to dearer. Plainer mediums were mainly easier. Better Ceylons were bid up with quality, others were fully firm. Ceylons and brighter Zimbabwes were firm to dearer but plainer Central Africans were easier where sold. Quality 190p/kg nom, good medium 138p/kg, medium 118p/kg, low medium 85p/kg. The highest price realised this week was 248p for a Rwanda pf.1.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	920	-23	-	-	220	-
May	954	-	957	948	23,535	923
Jul	965	-1	966	960	15,674	270
Sep	975	-3	977	972	10,933	327
Dec	989	-4	991	985	17,359	681
Mar	1008	-	1010	1002	23,474	217
Total					110,243	2,664

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1223	-8	1224	1208	39,917	4,511
Jul	1248	-8	1249	1235	19,571	1,753
Sep	1272	-5	1269	1260	9,294	398
Dec	1302	-8	1300	1292	6,488	110
Mar	1337	-6	1334	1328	9,654	32
May	1357	-6	1355	1353	5,345	-
Total					94,471	6,794

■ COCOA (ICCO) (SDR's/tonne)

Mar 18	Price	Prev. day
Daily	957.60	962.74
Mar 21		
10 day average	945.57	941.10

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1326	+2	1328	1320	332	83
May	1331	-1	1336	1325	15,833	766
Jul	1331	-2	1337	1326	12,782	653
Sep	1330	+1	1333	1325	5,951	204
Nov	1327	-1	1327	1325	3,346	39
Jan	1322	-3	1330	1323	4,929	34
Total					44,917	1,779

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	79.85	-1.00	81.00	80.15	72	86
May	81.75	-0.75	82.10	81.30	34,434	6,280
Jul	83.10	-0.75	83.40	82.60	11,254	1,496
Sep	84.30	-0.70	84.45	83.85	5,772	323
Dec	85.40	-0.75	85.55	85.15	3,816	97
Mar	86.20	-0.70	86.30	86.30	1,125	10
Total					58,627	8,289

■ COFFEE (ICO) (US cents/pound)

Mar 18	Price	Prev. day
Comp. daily	77.46	77.45
15 day average	74.83	74.55

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	12.27	+0.02	12.28	12.20	1,264	25
Jul	12.65	-0.05	-	-	2,826	-
Oct	12.10	-0.05	-	-	145	-
Jan	12.05	-0.35	-	-	-	-
Total					4,235	25

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	336.20	-1.00	336.50	324.50	6,710	893
Aug	331.90	-0.10	332.30	329.10	5,887	227
Oct	310.90	-0.20	311.00	309.00	4,213	171
Dec	306.90	+0.30	-	-	107	-
Mar	306.40	+0.80	305.50	305.50	478	5
May	307.60	+0.90	-	-	202	-
Total					17,811	1,096

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	12.11	-	12.79	11.99	61,643	13,839
Jul	12.27	-0.02	12.34	12.18	35,269	4,930
Oct	11.77	-0.02	11.82	11.71	29,857	2,393
Mar	11.33	-0.02	11.37	11.28	12,440	576
May	11.29	-0.04	11.26	11.25	1,715	1
Jul	11.25	-0.03	11.30	11.30	1,006	1
Total					142,241	21,740

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	75.43	-0.33	76.30	74.90	22,590	5,909
Jul	76.04	-0.26	76.70	75.65	13,940	2,056
Oct	73.20	-0.85	74.15	73.00	2,573	322
Dec	70.92	-0.63	71.70	70.60	13,654	1,917
Mar	71.70	-0.87	72.01	71.65	619	66
May	72.40	-0.85	73.10	72.25	196	11
Total					53,615	10,288

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	110.60	-0.80	111.70	110.05	8,396	652
Jul	113.40	-0.50	114.25	112.90	5,619	377
Sep	115.60	-0.50	116.00	115.30	2,143	114
Nov	113.90	-0.55	114.00	113.85	1,238	60
Jan	114.50	-0.45	114.95	114.50	1,700	172
Mar	116.00	-0.50	-	-	204	70
Total					19,290	1,445

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 21	Mar 18	month ago	year ago
1837.0	1831.9	1792.0	1786.8

■ CRB Futures (Base: 4/9/56=100)

Mar 18	Mar 17	month ago	year ago
228.57	228.22	227.31	213.67

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	75.975	-0.575	76.350	75.950	35,256	3,478
Jun	74.075	-0.200	74.350	74.050	23,744	2,021
Aug	72.525	-0.225	72.850	72.450	12,279	1,052
Oct	73.450	-0.425	73.750	73.375	9,608	481
Dec	73.775	-0.325	74.050	73.725	2,390	84
Feb	73.525	-0.400	73.925	73.525	1,171	527
Total					84,570	7,649

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	46.675	+0.025	47.125	46.600	9,074	1,894
Jun	53.975	+0.325	54.125	53.400	11,545	2,469
Jul	53.375	+0.375	53.500	52.900	3,469	452
Aug	51.625	+0.175	51.750	51.300	2,706	211
Oct	47.550	+0.150	47.600	47.350	1,872	42
Dec	48.550	-	48.600	48.350	2,160	127
Total					31,179	5,216

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	55.200	+0.150	55.375	55.100	115	27
May	55.800	+0.050	56.200	55.550	6,359	1,519
Jul	55.900	-0.200	56.425	55.600	2,854	403
Aug	53.625	+0.075	54.150	53.550	565	17
Feb	58.900	-	59.250	-	60	19
Mar	58.350	-	-	-	3	1
Total					10,064	1,984

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1300	48	78	27	42
1325	35	65	39	53
1350	24	53	53	66
■ COPPER (Grade A) LME	May	Aug	May	Aug
1900	70	99	26	49
1950	42	72	48	72
2000	23	51	79	100
■ COFFEE LCE	May	Jul	May	Jul
1250	60	111	9	30
1300	50	80	15	49
1350	29	55	48	74
■ COCOA LCE	May	Jul	May	Jul
925	42	70	13	30
950	27	55	23	40
975	17	43	38	53
■ BRENT CRUDE IPE	May	Jun	May	Jun
1300	-	-	19	40
1350	63	70	32	-
1400	38	47	62	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$12.50-2.57w	+0.07
Brent Blend (dated)	$14.51-4.55	+0.115
Brent Blend (May)	$13.77-3.78	+0.135
W.T.I. (1pm est)	$14.90-4.91w	+0.095

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$153-155	
Gas Oil	$140-141	+1
Heavy Fuel Oil	$72-74	-1
Naphtha	$132-134	+0.50
Jet Fuel	$157-159	

Petroleum Argus Estimates

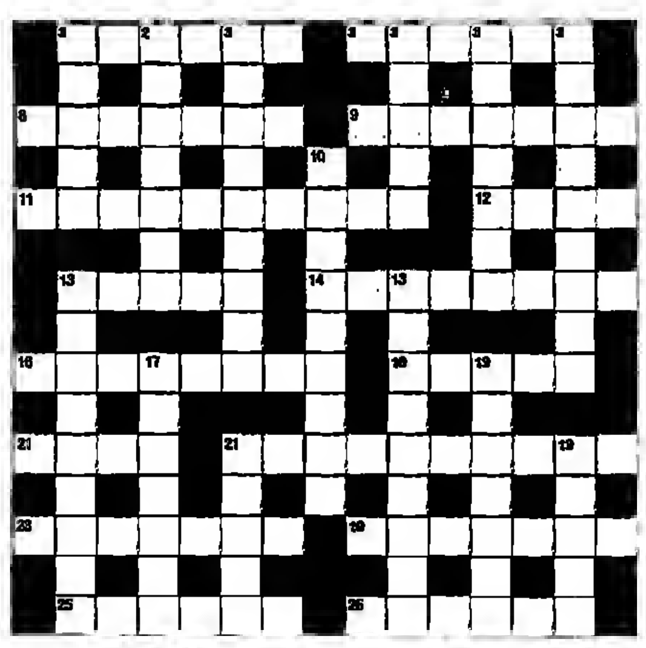
■ OTHER

Gold (per troy oz)♣	$388.20	
Silver (per troy oz)♣	541.50c	
Platinum (per troy oz.)	$399.50	-0.90
Palladium (per troy oz.)	$133.25	
Copper (US prod.)	97.00c	
Lead (US prod.)	35.00c	-1.13
Tin (Kuala Lumpur)	15.01r	+0.26
Tin (New York)	258.50c	+1
Zinc (US Prime W.)	Unq.	
Cattle (live weight)††	130.28p	+1.14*
Sheep (live weight)†♠	141.01p	+12.79*
Pigs (live weight)	77.00p	-5.26*
Lon. day sugar (raw)	$291.80	-2.2
Lon. day sugar (wte)	$341.00	
Tate & Lyle export	£309.00	-1.0
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	£185.0x	+5
Rubber (Apr)♥	70.00p	+1.5
Rubber (May)♥	70.50p	+1.5
Rubber (KL RSS No1 Apr)	249.50m	+1.0
Coconut Oil (Phil)§	$535.0t	+5.0
Palm Oil (Malay.)§	$395.0w	+2.5
Copra (Phil)§	$343	
Soyabeans (US)	£201.0w	+7
Cotton Outlook A Index	81.00c	-0.20
Wooltops (64s Super)	390p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Apr w May. t May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,410 Set by ALAUN



ACROSS

1 Take it you'll go if you get an invitation (6)
4 Cooked when high (6)
8 Include me in the grant made out for clothing (7)
9 A setback – or just the opposite! (7)
11 Soup-kitchens? (5-5)
12 A refusal to take one back from the island (4)
13 Not my own? That's untrue (5)
14 They're just what I had in mind (8)
16 Order the wives to swallow tranquillisers (8)
18 Having borders moved (5)
20 "Spasms" goes in nicely here (4)
21 Make a world of difference to a bird (10)
23 The small cars on the inside are for the underlings (7)
24 The saltier mixture sells (7)
25 Was joking about not being allowed to talk (6)
26 Ways in which tea is brewed in America (6)

DOWN

1 It means there's going to be an arrest at sea (5)
2 Laying false claim to the house? That's a joke! (7)
3 The sheep's equivalent of a stable-mate? (3-6)
5 Rows and we hear crying (5)
6 The little sound of hoe hitting soil? (7)
7 One-sided wrangle about getting divorced (9)
10 Having little foreign curreocy, the ass could be in low waters (5,4)
13 Bearing no rancour, is intended as a present (9)
15 Wait and sign in? Not me, silly! (3,6)
17 Not noticing the engine's not sounding right (7)
19 The cheek of the little creature – It is brave (7)
21 The meat would seem to be affected (5)
22 Wads of money for a car (5)

Solntion to Saturday's prize puzzle on Saturday April 2.
Solution to yesterday's prize puzzle on Tuesday April S.

JOTTER PAD

FINANCIAL TIMES SURVEY

MANAGEMENT EDUCATION & TRAINING

Tuesday March 22 1994

A less certain economic environment has increased business demand for management education. Competition is becoming much fiercer, however, as rival institutions vie to offer the formula for success. **Tim Dickson** reports

A case study in change

Leading management educationalists spend a lot of time these days telling companies bow to cope with change.

Ironically, tbe turmoil and uncertainty in their own business provides ample material for a good case study.

Like other sectors, business schools in Europe and North America have been hard hit by recession. Tbe problem, though, has not merely been adjusting to a cyclical pattern of demand.

Teaching content and styles, traditional delivery methods, and even the very basis for scbools' existence bave all been thrown under the spotlight by tbe quickening pace of economic and technological change.

Among trends on both sides of the Atlantic several stand out: a sharper focus on immediate corporate concerns (as manifested in tbe growtb of short executive courses tailor-made for individual companies); increasing emphasis on the so called multidisciplinary – as opposed to functional – teaching approach; and growing interest in international issues.

In striving to find the right formula for survival in the 21st century – whicb in Europe means finding an appropriate model for training tbe new breed of Euro-manager – business schools are locked in an urgent struggle for students, staff, money and other scarce resources.

Management education only became a respectable and established academic discipline in the US in the late 1960s – but its expansion over the last three decades is a remarkable success story.

The US method has been widely exported, in the process influencing the development of regional systems such as that in Europe. The contribution of business school research has been acknowledged in the award of at least four Nobel prizes for economics to business school professors.

Suddenly, bowever, a discipline renowned for its interpretation of relatively predictable long term business trends is being asked to provide instant solutions for companies in a much faster and less certain economic environment.

The good news is that even if its nature is changing, demand for management education is probably as great (if not greater) than ever.

Annual company spending on executive education in the US, for instance, is estimated to have doubled from $2bn to $4bn between 1987 and 1992. In Europe, the UK's Ashridge Management College last year conducted interviews with 150 large and medium sized companies in Britain, Germany, Scandinavia and the Benelux countries, which found that 80 per cent of them were actively involved in management development, 66 per cent had recently increased their investment, and 50 per cent predicted a further rise in spending.

Intensifying competitive pressures, organisational restructuring, integrating strategy and development, and recognition of tbe value of management education as a competitive weapon were among reasons cited by respondents.

But if the cake is not necessarily shrinking, getting a slice of it has become much tougher.

The corporate sector's concern with immediate problems has blurred tbe boundaries between management education and consultancy - creating new competition from (among others) big management consultancies, trade associations and redundant executives. Business schools have had to re-think their strategies radically.

The soul-searching takes sligbtly different forms in Europe and North America, but Professor George Bain, principal of the London Business School, believes the challenges on both sides of the Atlantic can be summarised in the four 'Is' - Internationalisation, Integration, Implementation and Innovation.

■ Internationalisation is reflected in the growth of foreign students on MBA courses, and in attempts to broaden faculty recruitment, diversify teaching materials, and promote a greater number of exchange programmes.

■ Integration is seen in the way schools have been trying to move away from the vertical curriculum 'silos' - accounting, marketing, finance and the like - and to replace, or at least supplement, them with course structures that encourage a more bolistic approacb to problem solving, thereby better reflecting the real world.

■ Implementation is a reaction to old jibes that MBA really stands for management by analysis or management by academics. Thus skills courses, team building, business ethics, negotiation and, above all, leadership have become features of the modern management education curriculum.

■ Innovation, the last of the Is, implies that the static model of the golden age is nowadays in constant need of revision and fine tuning.

The encouraging thing from a European point of view - not least amid renewed fears about Eurosclerosis - is that Europe's management education suppliers may be better placed to make the necessary adaptations than their US counterparts.

London, Fontainebleau-based Insead, and IMD in Lausanne, Switzerland, for example, have long been more international than even the top US establishments (and certainly more so than the Mid-Western school whose Dean not so very long ago proposed that scbools' international credentials should be measured by the number of faculty bolding passports).

North America's strong research tradition, moreover, is thought by many to have hampered the development of a true interdisciplinary approacb, while the rich endowments often provided by alumni have encouraged some to remain unwisely detached from employers.

Instead, IMD, London and IESE (Barcelona), on the other hand, have long received 50 per cent of their income, or more, from executive as opposed to MBA programmes.

The proportion from this activity at most leading US schools is still less than 10 per cent.

The immediate strains on business schools in the UK and continental Europe, nevertheless, are real enough. The proportion of funds which tbey can obtain from the public sector in Britain and France is falling, while the trend away from open executive programmes, attended by managers from many companies, towards shorter company-specific courses bas financial implications.

Single-sourcing, moreover, or at least reducing the number of suppliers, is happening as much in the management education sector as it is in others, says Mr Martin Christopber, deputy director, executive development, of Cranfield School of Management which has an annual turnover of £6.3m from short courses alone. "The competition is very tough".

Lower salary expectations

Continued on Page 5

IN THIS SURVEY

MBA COSTS AND BENEFITS

School fees defy recessionary pressures

Recessions are good for keeping down prices hut not, it appears, the somewhat dauntiug fees charged by management education schools.

As belts have tightened generally across Europe, many institntions offering MBAs and executive courses have continued to raise their fees, even if the increases are less pronounced than they were during the 1980s.

A glance at the charges for Europe's top management education centres confirms that many are charging significantly more than they were at the start of the decade. Perhaps MBAs, like Mercedes Benz cars, fall into the category of Giffen goods - prodncts whose attractiveness increases as their prices rise.

Not all schools have continued to increase their nominal fees, hut this has often been for special reasons. At IESE, the International Gradoate School of Managemeot in Barcelona, Spain, for example, the cost of an MBA conrse between this academic year and the next has barely moved.

For 1993/94 the cost of the programme was Pta1.875bn (£9,014) while for 1994-95 the price will be Pta1.9bn (£9,134). This amounts to a 1.3 per cent increase, compared with a 26 per cent increase, between 1989/90 and 1991/92.

Mr Paul McDonough, director of admissions at IESE, says fees are rising more slowly for several reasons. IESE believes that its programme was underpriced for many years, leading to the big rises at the end of the 1980s. These increases were necessary, too, to pay for new facilities.

On top of this, the economic downtnrn in Europe has resulted in a drop in the numbers of people willing to make investments of any nature.

"Many MBA candidates have decided that it may be wiser to wait a year or two before actually quitting a joh and making a significant investment in education," says Mr McDonough. "Many marginal candidates have decided that quitting a joh is just too risky."

In spite of this, costs generally have continued to rise. Even in the UK where there is an abundance of MBA places and a poor ontlook for jobs, many schools have been able to raise their fees. Six of the best known UK schools - Bath, Bradford, Cranfisld, London, Middlesex and Strathclyde - raised their prices in this academic year. At Bradford fees increased by almost 20 per cent between 1992/93 and 1993/94.

At London rises were more modest. The cost of the first

Roger McCormick: the present uncertainty is undesirable

year of the two-year MBA course increased from £8,950 in 1992/3 to £9,500 in this. This £550 increase compares with increases of £750, £1,700 and £2,000 in ths previous three years.

At the same time, post-MBA earnings are not as impressive as they were during the last decade.

As Aurelie Morel, director of admissions and placements at the Institute for Management Development in Switzerland says: "The cost of an MBA is less to do with the actual price of the course and much more to do with quitting a job, of investing a year of your life, of forgoing your salary for a year and of finding another job at the end."

A survey by the Association among MBAs (Amba) shows that those entering into positions with new employers after completing an MBA, the size of the premium attracted by MBAs has generally declined over time.

Those gradnating between 1980 and 1985 reported an average increase in salary of nearly 65 per cent (about 40 per cent when adjusted for salary inflation). By 1991 the average reported percentage increase had declined to 34 per cent which, after adjustment for salary inflation, indicates that those graduating in 1991 increased their salary on average by 16.5 per cent over and above the increase they would have expected to receive during the period of their training. The survey covered 28 UK business schools, 10 continental European schools and leading US schools.

One solntion to the rising cost of MBAs would he to make fees paid by an individual tax deductihle, something for which Amba has long campaigned. The issue has yet to be resolved. In the last UK Bndget the government extended tax relief for vocational training to National Vocational Qualifications at level 5, hnt no-one has yet established whether this covers MBA courses.

"We find the present uncertainty highly undesirable," says Roger McCormick of AMBA.

It woold be wrong to exaggerate the impact that the recession has had on the cost of MBAs. The big, well-established schools have sailed through the economic downturn and continued to charge ever higher fees, protecting themselves, to an extent, by offering increasingly varied execntive courses on top of the MBAs. This has left the less well-known establishments to bear the hrunt of sluggish economic conditions.

Bot as Europe emerges from recession, and the jobs market becomes less competitive, the opportunity cost to students of taking an MBA may start to creep back down. As Mr McDonongh points out: "Those individuals over there [the US] who decided to embark on their MBA two years ago are reaping the beoefits of being in the right place at the right time. In Europe, my question is whether it will he the graduating class of 1995 or 1996 which will be job seeking just as the economy picks np."

Emma Tucker

BRITISH NVQs

Rival benchmark gains in credence

Mr Andrew Summers, chief executive of the Management Charter Initiative, a body set up in 1988 to improve the quality of UK managers, is often asked by employers about the relative merits of different management qualifications.

"Until recently, the only management qualification with standing was the MBA," says Mr Summers, "but I believe the higher level national vocational qualifications (NVQs) at levels four and five will in time be established as a qualification with equivalent currency."

It is an ambitious hope as well as heing a controversial one. NVQs, unlike the MBA, which is acquired through sither full-time or part time study, are competence-based, depending on what an individual is ahle to do in his or her workplace, rather than what be or she knows.

Wider adoption of NVQs in the field of management qualifications thus has significant implications - not least for husiness schools where MBAs are an important income generator. A full-time course at a top school can cost up to £20,000. Accreditation of an NVQ level four or five in management is a much cheaper option.

Candidates typically have to demonstrate in their workplace, to trained assessors who are not their direct line managers, that they can perform a number of management jobs. The many modules of the qualification include managing operations, and financial competence.

NVQs do not, however, formally test the knowledge of the candidate through examination, and it is here is that the gulf emerges between proponents of NVQs and MBAs.

The NVQ framework has been set up as part of the government's strategy for addressing askills shortage in the UK compared with its main competitors. The qualifications start at NVQ level one, a basic competency in performing

Andrew Summers: high hopes for NVQs

s given task, and cover most hlue collar jobs. They are slowly being extended into the professions.

The lower level NVQs have attracted some criticism hut the greatest suspicion and hostility has been encountered at higher levels, particularly from professional hodies, defending the traditional system of testing knowledge by examination.

"The NVQ cannot be a substitute for the MBA, an academic qualificatioo whicb includes some practical work," says Mr Alan France, dean of the business school at the University of Central Lancashire in Preston. "Academic inquiry is a useful skill for managers to acquire, and experience cannot be a substitute for the ability to reflect."

It is a criticism that Mr Summers, chief executive of the Management Charter Initiative, takes on board. "There are no formal examinations for the levsl four and five NVQs in management but there is a requirement thet candidates demonstrate that they have the underpinning knowledge," he says.

Candidates for NVQs have to demonstrate in their workplace, to trained assessors, that they can perform a number of management jobs

"In practice, this means that tbe information and skills required to do a task - such as developing teams and individuals - will bs acquired through a variety of means: by imitsting best practice of colleagues; by attending courses at college; or by personal reading."

Typically, he says, it would take an individual between six and 18 months to demonstrate that they had the competency to carry out these tasks, and this could include a substantial amount of study, and evidence in support.

The merits of NVQs as distinct from the MBA qualification are, he believes, a matter of horses for courses.

"An employer considering sponsoring his employees for either NVQs or the MBA should ask what his or her husiness objectives were, and what key skills needed to be developed," he says.

"Some employers would say they needed to develop practical skills, such as team-building, or setting up a quality programme. The attainment of the level four and five management NVQs could be part of the package equipping individuals with those skills, whereas if the need was for strategic planning or analysis, a more formal input from a business school might he more appropriate."

Cooversely, business schools acknowledge that the NVQ may have some merit and they are examining whether or not practical aspects of their MBAs can be accredited as NVQs.

There is a financial reason for this. In a highly competitive marketplace, candidates for NVQs are eligible for tax relief on fees, such as those charged for accreditation of the qualification.

For this reason, Cranfield School of Management is discussing with the Inland Revenue whether it will recognise the practical parts of the school's MBA as the equivalent of the NVQ levels four or five.

If the Inland Revenue does not agree, the school will consider making the competence parts of its MBA NVQs in order to obtaio the tax reduction."

It seems highly unlikely NVQs will replace the MBA. The measurement of competences as assessed by NVQs is only one aspect of management education and may not be the most important one," Professor Colin New of Cranfield says.

Lisa Wood

CASE STUDY: British Telecommunications

A selective approach to training

For Britain's largest companies, training is an enterprise in its own right. And for none is that more so than British Telecommunications (BT), whicb currently employs around 1,500 people in its development and training divisions

BT is in the throes of a hig reorganisation of its training capabilities, seeking to apply four principles commonplace in theory hut less widely observed in practice. Namely:

● greater use of outsourcing. BT exists to provide telecoms services, not training. It already contracts out a fair slice of its senior executive development, but ths rest - including most of the technical and sales and marketing training vital to its performance - is still done hy trainers employed by the company.

"Until now, we have tended to train in-house, and only go outside for more senior levels where the need is to mix with a peer group and bencb-mark with other company's executives," says Jan Davis, BT's development and training adviser. "Now we are considering greater use of outside trainers."

BT is in the throes of a big reorganisation of its training capabilities, seeking to apply four principles commonplace in theory but less widely observed in practice

● centralised purchasing and quality control. Until now, line managers have had control of most of BT's training hudget. Employees have been directed - or self-directed - to courses chosen from an à la carte list, often organised hy trainers attached to BT's operating divisions.

From July, a ceotral supply management unit will advise on all external purchasing of training and certify courses for all divisions.

"We were in the laissez faire cafeteria approach to training where you cbose what you wanted," says Ms Davis. "Now we intend to have far more rigorous monitoring of inputs and outputs with a more selective approach tied to company needs."

● a unified development and training organisation. BT currently has two separate training divisions, one for management development, the other (and far larger) for technical and function-related training. From this July the two will he hrought together into a single structure.

But the plan is for unified management, not for centralisation of the training itself. BT's existing main training centres - primarily at Kent's Hill, Milton Keynes for management development and commercial training, and Stone in Staffordshire for technical training - will he retained.

Indeed, the plan is to shift more of tbe actual training nearer the customer base, concentrating resources on work-hased activities rather than residential courses.

● coherent training programmes. For more technical staff, training requirements are generally fairly obvious. In the management and broader work skills arena, however, training needs are typically less precise. BT has made rapid progress towards a more programmatic approach to management training - focusing on those about to make significant career steps. "The aim of all the changes, including a shift to external supply, is to create an even greater in-house centre of excellence of high-quality development and training at minimum cost," says Ms Davis.

For the myriad of independent trainers and husiness schools struggling out of recession, it is the opportunity of the decade.

Andrew Adonis

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January 1992 - December 1993

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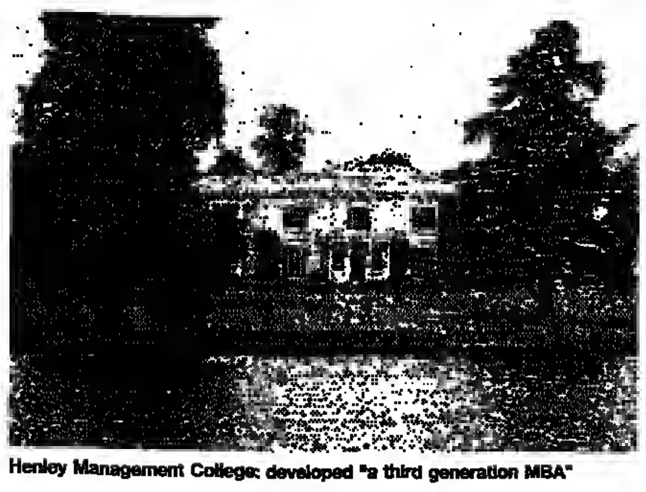


Henley Management College: developed "a third generation MBA"

STUDYING FOR AN MBA

New routes are opened up

The death of tbe MBA has indeed been much exaggerated - but its character in Enrope, notably in the UK, has undergone radical change.

Course content is a case in point - relevance, interdisciplinary teaching, internationalisation, and "soft" issues, such as bnsiness ethics, are just some of the current buzzwords. Perhaps the most striking development, though, has been the dramatic widening in range of delivery.

It used to be that a two year full-time MBA was the *norm* in the US. Now, only the powerful London Business School among UK suppliers retains a genuine two year programme as its main option, following Manchester's decision to offer a restructured course fnr *the* forthcoming year. Manchester now offers what it calls a standard full time MBA over 16 months with a longer 20 to 22 month alternative or a fast-track route of just over 12 months.

"This was in response to a consultation process which showed that most students wanted a shorter career break and lower opportunity cost," explains Anne Keddie, Manchester's marketing manager.

Therein lies the rub. For all the well publicised doubts of employers and the sceptical British approach to management as an academic subject, the MBA remains a mnch songht after qualification on the *right terms*.

The result has been a significant iocrease in part time MBA programmes (evenings, weekends, a combinatinn of both,"modnlar" weeks); the astonishing popularity of distance learning (*where students* work from home with teaching material provided hy tbe sponsoring institution); and the introdnction of a range of programmes generically known as company MBAs. These are usually part-time and organised in partnership with individual companies, or a consortium of companies.

Latest figures from the Association of MBAs (Amba) suggest that the shorter delivery times for full time programmes may he having an impact. Revised figures for *1993/94* show that the number of full time MBA students joining UK business schools rose by 9.7 per cent (thanks in part to the addition of five new courses), while new part-time students showed an increase of *just 2.6 per cent* (with the belp nf two new courses).

The key features of the part-time and company variants are *that* participants can stay in their jobs and look to their employers for time off and financial support.

Many business schools - such as Warwick - are taking advantage of this flexibility. There, students can follow a 12 month programme (which has a class this year of 114, average age 28, 85 per cent of whom pay for themselves); a part time evening MBA over three years (class size 56, average age 32, 90 per cent employer sponsored); a modular MBA (class size 29, average age 35, 95 per cent sponsored); and distance learning (350 students, average age 31, 50 per *cent sponsored*).

Henley Management College also has full time, part time, and distance learning options (the latter is fnllowed by nearly 5,000 students, based in 92 countries). Mnre recently Henley has developed what it calls a third generation MBA whicb tries to integrate traditional learning styles and new-delivery technologies (including distance learning).

City University Bnsiness School specially targets those who work in the City of London with its two year evening MBA but it is also notable fnr its management, or consortium MBA. The course bas powerful hackars, which include Rover, J Sainsbury, Norwich Union, American Express and BT.

An innovative MBA run by the Judge Institute of Management Studies at the University of Cambridge combines full-time study with full-time work experience. – 12 months ont of the 21 month course, two 12 month periods in the 33 month option. Because of the real world content Cambridge is less *strict than some business* schools abont prior work experience. It makes the point that the salary earned during 12 months of the MBA makes fees easier to bandle than on a conventional full time programme.

The Open University, claims to be the largest hosiness scbool in Europe and a market leader in distance learning with 24,000 managers fnllowing its courses and a turnover of £17m. Some 5,500 managers are studying for its MBA (including 670 students in continental Europe). It expects to be providing more than 20 per cent of UK MBA gradnates within the next two years. A further 3,000 managers are *using its material* in *central* and Eastern Europe.

Tim Dickson

FUNDING

Quality tests raise hackles

Quality control has just hit the UK's business schools.

Funding for all the UK's higher education is now handled by one powerful quango – the Higher Education Funding Council(Hefce) which is now busily implementing the government's policy that funds sbould reward quality and that *institutions* should he inspected to ensure that the state is getting good value for money.

Nobody objects to these aims, but assessing the quality of something as subtle as academic endeavour has, almost inevitably, proved highly controversial.

Business schools feel particularly badly treated. Professor *Leo Murray, director of* Cranfield University's scbool of management, is forthright ahout the government's role: "Just as they did with the poll tax, they took something which could he improved and made a hash of *it*."

Funding is based on two separate components – research and teaching. The first quality assessments of teaching are now being announced.

They judge individual departments within institutions, rather than universities as a whole, and divide them into only three broad bands – excellent, satisfactory and unsatisfactory.

These classifications hinder marketing overseas, particularly *in the competitive business* schools market. It is difficult to explain away an official rating of only satisfactory to a

Funding students away from work has become increasingly difficult

foreign company looking for excellence. The committee of vice-chancellors and principals describes the classification as "a marketing hullet in tbe foot".

Universities must first make a self-assessment, which, according to Hefce's guidelines, should be an up-to-date, self-critical analysis.

In practice, this forces institutions to compose a brief mission statement, and then cite statistics to show that the mission is being fulfilled.

This allows recognition for diversity – those who feel they should compete with the best in *Europe may do so only satisfactorily*, while the excellence of less ambitious institutions whicb aim to train local middle-managers can also be recognised.

Hefce assessors then visit every institution which has claimed to he excellent, plus those where they have grounds to believe that quality is unsatisfactory. Most of the the assessors are are academics contracted to work for Hefce for one to three years – wbose presence often causes ire with academics devoted to their own research – along with a core of permanent Hefce staff and suhject specialist assessors.

Even institutions revealed as excellent by the survey, such as City University Business School and Cranfield, have mixed feelings about the exercise.

Mr John Kaye, dean of City, is positive about the new system. He said the process had forced City to "take a long hard look at itself."

However, he expected Hefce's methodology to evolve with time.

Results for the last research selectivity exercise, marked on a five-point scale, were announced ln 1992. It found that the top-scoring institutions in business and management studies were the universities of Bradford, Warwick, Lancaster and Strathclyde, tbe London Business Scbool, the London School of Economics and the University of Manchester Institute of Science and *Technology*.

These emphasised published research in academic journals, and in the press.

Professor Leo Murray: forthright about the government's role

Professor Murray was not happy about this: "Our joh is as a service provider for companies. What *is* most important for us is how we transfer or apply our research."

He said the exercise forced academics towards publishing research, whether or not this best served their students, "pushing us towards the old and damaged American model of 'publish and be damned'".

These difficulties, facing a government agency, may be resolved as the system matures, but they suggest that precise business school league tables, wanted by many applicants, *will not* be *easy to compile*.

John Authers

PROFILE: Thomas Kaurich

A maestro in finance

When Tbomas Kaurich, an American concert pianist, first moved to London in 1989, he used to jog in Regent Park near his home. As his route took him past the majestic front of the London Business School(LBS), he would wonder, "Who would want to go to business school?"

Three years later, Mr Kaurich, then 30, was struggling to distinguish a creditor from a debtor in his first study group at LBS, where he is now in his final year of the Masters in Business Administration(MBA) programme.

The MBA is a rather unusual course of study for a man who made his concert debut at the age of 12. After more than 16 years of playing the professional concert circuit throughout North America and Europe, Mr Kaurich sold his piano in New York to buy a computer in London, and replaced hours of Schumann and Mozart with balance sbeets and annual reports.

Mr Kaurich's original intention at LBS was to acquire skills to transfer back to the profession he grew up in. "I saw the ueed in the arts for some sort of business-directed thrust, and I was single-handedly going to deliver it," he says.

Small in build, and immaculately dressed and groomed, Mr Kauricb speaks in precise rhythms, punctuating sentences with, "Does that make sense?". He recalls with amusement learning the jargon of business.

"It was in many ways like being in a foreign country and being surrounded hy native speakers," he says. "People were talking abont topics such as equity markets and it took me ages to figure it out." He takes obvious delight in his current facility with the business tongue. "Now I can pick up financial reports and find what I need very quickly. When someone says asset turnover I know what it means."

Mr Kaurich has maintained his links with the musical world by giving occasional concerts - last month he packed out Wigmore Hall in London with a Music and Management programme of Schubert, Bach, Liszt and Schumann to raise money for the Friends of London Business School scholarship fund - and through his second-year project with the Barbican Centre. He is examining ways of diversifying programming and audiences.

"It is interesting doing a project for the Barbican Centre in a business capacity when I

Thomas Kaurich: swapped a piano for a computer

have been on the other side as well," he says. "I think that it has given me an advantage."

He is frustrated by classical musicians who "expect people to come to concerts just because they are performing 'great music'". According to Mr Kaurich, that mindset is responsihle for diminishing audiences.

Describing a typical orchestral concert, he says of the performers "they are all dressed as if it were the last century. When they finish and take a bow they don't even look at the audience. They put up barriers between performer and audience," he claims.

The former concert performer offered one possible solution to musicians' apathy toward audiences.

"If their salary depended on the number of tickets they sold then they would have a vested interested in each performance," he said.

His studies, however, have introduced other interests. "Being in the MBA has opened up so many new things to me that it is not necessary for me to be in the arts. Business is business whether you are selling opera-singers or circuit boards, though circuit boards certainly are not as temperamental as opera singers." he says.

Mr Kaurich has now joined his classmates at LBS in interview rounds for jobs in corporate finance. "What appeals to me about finance is the buzz of it. It reminds me of the kind of energy generated by performing," he said.

This convert to finance sees other similarities hetween music and business. "Music is the perfect marriage of a structured intellect and intuition," said Mr Kaurich. "I find that these two instincts transfer very well to the business world."

He helieves that husiness schools are beginning to recognise that decisions often are - and indeed should be - based on a sixth sense, rather than pure facts and figures. "I think it (the MBA) is moving away from trying to quantify everything and allowing for gut feelings"

But does he miss music? Not yet, he said hut he is not sure he wants to return to the music industry, even just to apply his business skills. "I think ultimately maybe I could hut I do not think I am prepared to enter that world again just yet. I do not think I have got everything I want from husiness."

Still, he puts aside time - albeit only 15 to 20 minutes a day - to tinkle the ivories (on a rented piano) when he needs a break from his studies. He no longer feels the need for the constant huzz of performing. "If I want to perform I will find a hall and fill it with people I know. I cannot think of anything more enjoyable than performing for an audience, everyone of wbom I know. That is how the past few concerts through LBS have been."

Motoko Rich

THE EUROPEAN EXPERIENCE: FRANCE

Solid domestic base for a world mission

Bruno Dufour: Lyon will take 10 years to be truly international

International business school, south west of Paris, not far from Versailles.

For most multinational business executives outside France that map reference means just one word: Insead.

Set up in 1959 on the Harvard model, the Fontainebleau-based Institute of Business Administration is almost synonymous with management education in Europe.

However, the same part of France – the village of Jouy-en-Josas, to be precise – boasts another institution with a growing claim on outsidars' attention.

Groupe HEC (L'Ecole des Hautes Etudes Commerciales) is France's leading grande école of management, and representative of a proud educational tradition which lies at the heart of the country's executive training system.

Frequently misunderstood - and too easily dismissed by international commentators - HEC and other grandes écoles like ESSEC, ESC Paris and ESC Lyon are developing serious international strategies on what, from the outside at least, appear to be enviably solid domestic foundations. At a time when the Anglo-Saxon MBA model seems no longer to be able to provide all the answers, the French system offers an instructive alternative.

The grandes écoles, which like so much in France can be traced back to Napoleon, are independent of the French universities, but closely associated with and partly financed by local chambers of commerce through a compulsory payroll tax on employers. Originally set up to prepare children of wealthy industrialists and merchants for a career in the family business, they evolved after the second world war into much more professional and better focused management training institutions, influenced greatly by what was going on in the US.

Today, there are 21 grandes écoles of management which turn out some 8,000 graduates per year. Students follow typically a 5 year general management curriculum which starts immediately after the baccalaureat and which is sub-divided into two years of classes preparatoires devoted to pre-business school courses; a one year foundation course; and the two year graduate programme proper. Students already holding a university degree, as well as foreign students, generally go straight on to the graduate programme.

The qualification they receive is generally known in France as the masters in management, and is quite distinct from the MBA. The latter, of course, is of Anglo-Saxon origin and is aimed at graduates with a general education who have already spent several years working in a business.

In one sense, the two systems are complementary: indeed HEC and Lyon recognise this and offer both. But in another sense the economic climate in Europe has sharpened rivalry as business schools seek to find the most appropriate methods for training the Euro-manager of the mid 1990s.

The *grandes écoles*, which like so much in France can be traced back to Napoleon, are independent of the French universities, but closely associated with and partly financed by local chambers of commerce through a compulsory payroll tax on employers

There is more than a touch of anti-Americanism in the jibe that Insead is an offshore business school, but while such remarks merely underline HEC's still chauvinistic instincts and Parisian hauteur, it would be a mistake to underestimate the advances which the grandes écoles have made in broadening their course content (less emphasis on mathematics and closer contacts with the business community), the seriousness of the international mission of schools, such as HEC and Lyon, and the inherent attractions of the business vocational approach.

HEC points out that its international student exchange programme actually started 20 years ago with New York University, and that 25 per cent of its students are non-French. It was also one of the founders of the Community of European Management Schools(CEMS) which has attempted to set standards for a European masters.

That said, there is still some way to go. Its international drive really only started with the creation of HEC's specialist MBA arm the Institut Superieur des Affaires, while only 10-15 per cent of the faculty is non-French. Henri Tezenas du Montcel, HEC's President, admits that the school is " still too small and still too French", but he adds provocatively: " We are not so far now from schools, such as Harvard, MIT and Columbia. Ten years ago you could not have said that".

Lyon, meanwhile, is a more unlikely institution to be going global but as Bruno Dufour, the school's dynamic president, explains: " It was the only strategy we could develop. If you are outside Paris in this country and you want to exist, you have to do something else."

He, too, admits that the school has a long way to go if it wants to be more than just a well regarded European school, and he predicts it will take another 10 years to be truly international, notably in terms of faculty quality. Lyon, nevertheless, has a good mix of non-French students taking the masters degree, and the student exchange programme is said to have progressed better than expected.

Lyon has 13 double degrees with other institutions, including Cranfield of the UK and Esade of Spain, and 31 cross-border partners, with whom course work is validated for degree purposes. It is also a participant in the multiregional international business programme, run between the so-called club of rich regions in France, Italy, Germany and Spain, plus Wales and the Canadian province of Ontario. This involves students spending a full year at another business school, and carrying out a research project, or internship, in one of the other partner regions.

Dufour lists many challenges facing business schools, including the need to adapt to new customer demands, develop a more flexible teaching approach, and make up budget losses arising from lower apprenticeship tax contributions in France. "Some of the smaller grandes ecoles are going to go out of business", he says.

The French-speaking market for management education is not large enough for distance learning, he believes, but schools in France will have to deliver their programmes with the help of the new technologies, such as videoconferencing.

The cost of management education can be broken down into one third travelling and accommodation, one third salaries of the participants, and one third teaching expenses. "If you can remove part of this equation so much the better."

In the absence of strong partnerships with companies, business schools are in big trouble, he says

Tim Dickson

MANAGEMENT SCHOOL NETWORKS

Melting-pots for Euromanagers

The engine of European political integration may be stalled for the moment but the high level of cross-border mergers and acquisitions last year was just ooe sign of the growing interdependence of EU and Efta economies.

In this environment multinationals more than ever are on the look out for managers who can speak foreign languages and adapt to different business cultures and practices.

Since 1988 the Community of European Management Schools (CEMS), a network of high prestige management schools in Europe*, has been attempting to address their need.

So far its imaginative attempt to instil in students a common body of European knowledge, wider language skills and broader international experience, has produced 550 Euro-managers in four years but this may just be the beginning.

Multinationals more than ever are on the look out for managers who can speak foreign languages

Says Ian Du Pre, national recruitment partner at accountants Coopers & Lybrand in London, which annually recruits 700 graduates in the UK alone: " We are extremely enthusiastic about it [CEMS]. One of the problems in the UK is that our A-Level and university system puts people into the market in their early 20s without a business vocation. The people we get from the continent are in their mid 20s, have a vocational degree, speak languages, and will go where the action is."

The challenge for the CEMS is reconciling the different European traditions of management education. CEMS respects the broad continental model, which differs from country to country bnt which in most states is based on a four to five year university based course (combining undergraduate and postgraduate work).

The idea of the CEMS Masters is that over this time students fulfil both their home course requirements and those of a wider European curriculum. Economics, law, mathematics and statistics are among core subjects in the first three years. In the final two years a CEMS student has to take eight courses dealing with a variety of European and international issues (of which six, including EC law and international economics, are compulsory).

Fluency in three languages (at least two of them European) has to be demonstrated, and to receive the qualification six months must be spent abroad, three of them at another academic institution in the network, the rest on secondment to a company.

CEMS is not unique, the idea having been copied in 1989 by the Alliance Of Management Schools in European Capitals** whose AMSEC Master adds Euro requirements to the home degree in much the same way. Even allowing for its self-conscious exclusivity, however – there is only one CEMS institution per country – its approach can be seen as one means of trying to harmonise European standards for Masters level management qualifications. These CEMS standards are defined in close collaboration with 33 corporate partners, most of them leading European multinationals.

According to Lluis Puges, director general of the Spanish business school, Esade, and a founder member, CEMS goes beyond mere student exchanges. "We are trying to mix faculty groups and to write more European cases," he explains. "For me, though, the great advantage is discussing a common problem but then hearing the different cultural solutions which you find within Europe."

Puges admits that more work has still to be done on harmonising standards. "Some schools are more interested in certain issues than others. It is particularly difficult in areas such as human resources and organisational development. We are effectively having to negotiate to find a common degree."

Economics, statistics, mathematics and law are among core subjects in the first three years

**The 12 CEMS academic members are: Copenhagen Business School; Erasmus Universiteit, Rotterdam; Esade, Barcelonn; HEC,Paris; Hochschule Saint Gallen; London School of Economics; Norwegian School of Economics nnd Business Administration, Bergen; Stockholm School of Economics; Universite Catholique deLouvain; Universita Commercinle Luigi Bocconi, Milan; Universitat zu Koln, Wirtschaftsuniversitat Wien. CEMS Secretariat, 1 Rue de la Liberation, 78350 Jouy-en-Josas, France. Tel(33)1 3967 74 57.*

*** The members of AMSEC are City University Business School(London), Ecole Superieure de Commerce de Paris, Libera Universita Internazionale Degli Studi Sociali(Rome), Norwegian School of Management, Ecole de Commerce Solvny(Brussels), Technische Universitat Berlin, Universidad Complutense(Madrid) and University College Dublin.*

Tim Dickson

Continental schools are seeking to internationalise their intake

English is new French weapon

The relatively small domestic market is one reason why the leading French business schools are pushing for foreign MBA students.

Insead's intake has loog been international. The Institut Superieur des Affaires (HEC) and ESC Lyon say that respectively 30 per cent and nearly 20 per cent of participants in their current classes are non-French.

" Our objective is to increase the proportion to 30 per cent in three years, and 50 per cent in the next five to seven years," says Patrick Molle, dean of Lyon's MBA programme.

HEC/ISA's MBA is already fully bilingual, but next September Lyon plans to introduce an international track for foreign students. Until now, core courses at Lyon have been in French, which has tended to restrict non-nationals to those with French spouses, family connections, and educational backgrounds.

The new English courses - 20 per cent of the Lyon Faculty already teach in English - will be accompanied by full time tuition in French. As for markets, Molle is targeting Canada, Scandinavia, Germany and Spain, and plans to tackle the Asian markets over the longer term.

The cost and time pressures bearing down on MBA stndents in France are little different from those elsewhere – but neither Lyon (full time programme one year) nor ISA (16 months) has much interest in the part-time approach. Lyon is, nevertheless, contemplating a two to three year option which would enable students to spread studies over a longer period and remain with their employer.

"Last year 60 per cent of our studeots went back to their old company, which would have been unthinkable five years ago",observes Molle.

"At the moment only 10 per cent are paid for by their employers, though I don't think the proportion could go much beyond 15 per cent."

At ISA, the dean, Eric Briys, is a strong defender of the full time MBA.

Part time programmes cannot generate the mutual enrichment which comes from mixing people from different backgrounds and the total intellectual immersion and freedom from corporate responsibilities afforded by an extended training sabbatical, he says.

Moreover, full time participants, display a risk-taking propensity which should bode well for their future careers.

Briys believes, however, that what he calls the geometry of risk has become unbalanced for the student.

He advocates more imaginative loan schemes and tuition fees, linked to performance or subsequent salary.

ISA is also notable for its imaginative course content. Rather than teaching business ethics in the classroom, it sends students four times a year to the French Alps to study with Benedictine monks at the monastery of Notre-Dame de Ganagobie.

Tim Dickson

THE EUROPEAN EXPERIENCE: SPAIN

Different views from the hill

IESE and Esade, the two most internationally renowned business schools in Spain, are perched on the same hill just 10 to 15 minutes from the centre of Barcelona.

Their similar geographical location, however, masks fundamental differences which go beyond Esade's famous association with the Jesuits and rival IESE's link with the traditionalist Roman Catholic organisation, Opus Dei.

Founded in 1958 IESE (the International Graduate School of Management of the University of Navarra) is a Harvard-inspired institution devoted to post-experience MBA education and the training of senior executives. Esade, founded in the same year, provides these services, too, but it concentrates much of its effort on younger students straight from school who typically follow a 5 year management course modelled on the French grandes écoles system.

The different focus has helped shape separate philosophies, visible in the schools' product mix, attitudes to teaching, and international strategies. At one level, their relationship appears to be one of relaxed co-existence. A question for the harsher and less predictable economic climate of the mid 1990s, though, is the extent to which rivalry will be sharpened in areas such as MBA and executive education, where there is overlap.

As Paul McDonough, MBA admissions director at IESE puts it: "In the late 1980s people like myself just had to sit back and wait for the applications to roll in. Now schools have to make more of an effort. Certainly the general level of interest is down, but we are benefiting from the different aspects of our programme and from people's desire to learn about the Spanish and European economies". Last September there were 360 applications for 65 places on the English-language section of the two year full-time MBA course.

Esade is trying hardest to expand in specialised courses for executives and tailor-made programmes for companies

Lluis Puges, director general of Esade, concedes that economic pressures, and the proliferation of smaller domestically-oriented Spanish schools offering short programmes, have had an impact on Esade's MBA applications. Nevertheless, he is happy with the current size of the full time MBA class (around 180 per year, including 40 in the English speaking section).

Esade is trying hardest to expand in specialised courses for executives and tailor-made programmes for companies. As Puges explains, there are three main benefits: "Our faculty gets better exposure to current management problems, it improves the chances that they will hire our people, and it fosters loyalty and repeat business from our company customers."

Carlos Cavalle, dean of IESE

The IESE is one of Spain's internationally-renowned business schools

A reputation for top executive training lies at the heart of nearby IESE's formidable strength. About 600 senior managers attend the school's part-time programmes each year, accounting for 49 per cent of its income. This success is based on IESE's enviably close links with the local business community. These are based in part on the its influential and highly active alumni network. (A recent survey showed that an internationally high 45 per cent of its former students contribute to school activities).

As Carlos Cavalle, dean of IESE, points out, there are equally important forms of collaboration with the school's non-alumni customers, through IESE's joint advisory board, its joint (research) committee, and its associate company status. This gives members regular input into educational issues.

Cavalle emphasises the primacy of corporate connections in IESE's overall strategy. "We actually started the school by setting up a senior executive programme first. We thought this was an excellent way of developing the faculty, the MBA market and research."

Some Spanish business schools, says Esade's Puges, are being forced to cut their budgets by as much as 20 per cent this year. Puges says he is not hiring any new faculty members. "I am trying to keep it the same." The challenge, he says, is to find new markets both at home (through more executive education) and abroad. (Esade's new international programme in business law is one current example).

Puges reflects that the changes forced on schools may be more fundamental. "When change follows a pattern, it is relatively easy to look ahead," he explains, "but for me the great difficulty is that we are on the point of a big breakthrough, which means you have to dream. That is difficult for business schools, because it is the realm of artists and philosophers. If we can somehow combine dreaming with rational thinking the result could be very positive."

If business schools are to do more to solve society's problems, Puges further believes they must be more focused on helping entrepreneurs and less obsessed with serving multinationals.

Back at IESE Pedro Nueno, the school's widely respected professor of strategy, sounds optimistic. He says the recession, "uncovers new types of need which we have been addressing." Change has increased the pressures on IESE's staff, but Nueno emphasises that the school's total throughput is increasing and that it is still hiring and training new faculty.

Much of IESE's success lies in the decision five years ago to go global, as Carlos Cavalle puts it. IESE, for example, has teamed up with the University of Michigan, one of the leading US schools in executive education, to offer a two week course in Switzerland.

Where others talk gloomily of their experience in Eastern Europe, Cavalle says that on the contrary the international faculty development programme, run jointly with ISA in Paris and Bocconi University in Italy, is working well.

"It is much better to train the faculty than to try to teach executives directly," he suggests.

He admits that Moscow has been more difficult but " by choosing the universities of Prague, Warsaw and Budapest we are working with the best".

Tim Dickson

EASTERN EUROPE'S NEEDS

Experience dampens both sides' high hopes

Structured management education spread from the US to western Europe

Picture: Alan Harper

Western management educators joined in a general excitement in the West at the start of the decade: eastern Europe was a market which seemed to offer unbounded potential.

Here was half a continent whose companies were crying out for executives familiar with modern management techniques. Just as structured management education spread from the US to western Europe in the 1960s, so the movement appeared poised to take the former communist bloc by storm in the 1990s.

But management schools have shared in the disappointment of the discovery that need does not automatically translate into demand for services. "An enormous market – an enormous, insolvent market," says Robert Crane, dean of the International Management Center in Budapest, one of the leading schools in the region. "As far as I can tell, no one has made money from management training in eastern Europe."

East European trainees can rarely pay fees out of theirown pockets. Salaries remain a fraction of western levels while management training is little cheaper. Fees at the International Management Center in Budapest, for instance, are $10,000 a year while a US school would charge between $12,000 and $20,000.

Some students make the sacrifice. Vilmos Skultety of Szekesfehervar in western Hungary sold his Lada car to raise the funds to study at the IMC. He is now Hungarian marketing manager for Loranger, the US car components maker, and possesses a smarter car but he is the exception.

Local corporations are as strapped for cash as individuals. Management courses were the fashion when the east European economies first opened up. But prolonged recession has forced many state enterprises to cut their training budgets and rising unemployment has made employees more cautious about taking a couple of years out.

That has left official and private philanthropy as the main source of financing. Most important is the European Union's Phare aid programme for eastern Europe. George Soros, the hedge-fund speculator, provides scholarships through his foundations for almost all the students on IMC's full-time MBA course.

Official assistance has not been sufficient, however, to induce reputable western management schools to establish a permanent presence in eastern Europe. The University of Pittsburgh has close links with the International Management Centre in Budapest and the Czech Management Centre. Five top-ranking US schools have formed a consortium which provides courses for east Europeans. But involvement is generally at the level of individual faculty members. After initial exploration, most institutions have retrenched.

For east Europeans without backing from a western employer, distance learning is an increasingly popular option

Disillusionment has been mutual. "We had a trooping to the east of a lot of dubious people in management education who were, by and large, charlatans," says Derek Abell, professor at the Institute for Managemant Development in Lausanne. That has done little for the standing of management training in eastern Europe. "What the West was offering was suspect," says Mr Abell. "There is a real sense of disappointment."

East Europeans are nevertheless gradually becoming more discriminating and a few institutions have managed to build reputations for quality and find their financial footing. The International Executive Development Centre in Slovenia, dynamically led by Danica Purg, is particularly well-regarded. Most observers' lists include Budapest's IMC, the Czech Management Centre in Prague and the International Postgraduate Management Center of Warsaw University.

The better schools, seeking to reduce their dependence on grants, are trying to drum up business from western companies with operations in eastern Europe. IMC conducts an in-house MBA programme for Tungsram, General Electric's lightbulb-making subsidiary in Hungary. IMC hopes, through projects like these, to match western schools and cover 70 per cent to 75 per cent of operational costs within five years.

For east Europeans without backing from a western employer, distance learning is increasingly popular and has provided opportunities for some western providers. The Open Business School, a branch of the Open University, has students in Slovakia, Hungary and Russia and is expanding into Bulgaria and Romania.

There is untapped potential in management education beyond standard MBA courses. "The initial traditional activities have not been the growth areas," says Julie Rowney, formerly of the IMC.

Gay Haskins, head of the European Foundation for Management Development, believes there is a pressing need for first degrees in management and entrepreneurship training, not to speak of education for the educators. Others argue that institutions should target senior executives. Slovenia's IEDC has set up a President's MBA course for chief executives who lack formal management education and the time for a full-time course.

But above all the impact of schools in eastern Europe depends on localising management education and making courses relevant. On a mundane level, that involves giving more weight to finance, accounting and marketing. More fundamentally it requires western trainers to adapt to eastern European business conditions, and more give-and-take between western theory and eastern practice. "People have been teaching rather than learning," says Mr Abell of the IMD. "Once they learn, they will be abla to teach more successfully."

Nicholas Denton

A case study in change

Continued from Page 1

and the uncertain jobs market have combined to cut demand for full time MBA courses by roughly 15 per cent over the last two to three years - though latest figures from the Association of MBAs (Amba) suggest that 1993/94 has seen a recovery in the UK.

The growth in part-time programmes is a welcome extension of choice, but some courses are of poor quality and middle-ranking schools in particular are being squeezed.

The management challenge for business school deans goes well beyond merely balancing the budget.

The test is finding faculty able to respond to the growing demand for teaching across disciplines, sufficiently versed in international issues, and with the right skills to address companies' immediate problem-solving needs.

The trick is to do this without sacrificing schools' research capability, and without losing the leading-edge knowledge which distinguishes management education from management consultancy.

To use a piece of jargon from the latter's lexicon, the successful schools of the next century will have rightsized rather than downsized.

Cutting human capital is a last resort for many businesses at the moment, but business schools are especially reluctant not just because their brains are their biggest asset but because a well rounded faculty is not easily re-assembled.

This in part explains the intense interest in training managers in emerging markets like those of Eastern Europe, India and even the Far East.

Both UK and continental institutions increasingly offer exchange or placement opportunities under the Erasmus or Comett programmes

A business school's most precious - but at the same time most costly - resource is the brains of its faculty.

Perhaps the most interesting tussle is what Jean-Pierre Nioche, a Professor at the HEC-ISA School of Management, has called the war of educational standards within Europe.

At issue is whether the imported post-experience MBA model - so influential in many ways already - will win out, or whether a new European model is emerging for the single market.

It must not be forgotten that despite the MBA's high profile he or she is in a minority in Europe in terms of both new graduates and industrial leaders, particularly in France and Germany.

Broadly speaking, institutions in most European countries apart from Britain offer degrees leading to a qualification acknowledged by many to be of masters level, and often including on-the-job experience.

In France there are also the grandes écoles of management (discussed elsewhere in this survey), independent of the universities and offering five year programmes with a more business-oriented vocational focus.

Both UK and continental institutions increasingly offer exchange or placement opportunities under the Erasmus or Comett programmes. More than 15,000 management students will have spent periods of more than three months abroad at partner institutions in 1993/94.

Thus, there is no shortage of well-qualified European students with good linguistic skills and solid professional experience.

The challenge is to make these masters leval qualifications as tradeable across frontiers as a good quality MBA - either through mutual recognition, or, more ambitiously, through the development of a common curriculum.

This is the mission of networks, such as the Community of European Management Schools and the Alliance of Management Schools in European Capitals, as well as of multi-site programmes such as the European Partnership of Business Schools, the Ecole Européenne des Affaires, and the European Business School.

The extent to which existing programmes satisfy the criteria for a European qualification is also the subject of a European Commission study being undertaken at the moment by Lancaster University.

Between them, Brussels and the market place can no doubt supply some answers.

US BUSINESS SCHOOLS

Wind of change sweeps courses

The elita achools of management education in the US are rapidly retooling their MBA programs, adjusting to the changing climate for business in the US and elwehwere.

Successful for decades at turning out highly-skilled specialists to people corporata bureaucracies, universities are now striving to mould leaders who can manage change.

With most of the giants of corporate industry downsizing, re-engineering, and revamping their market focus, businesses need a different product from that which traditional MBA programmes have been turning out, explains Mr. Yoram (Jerry) Wind, director of Wharton's Center for Advanced Studies in Management.

Mr. Wind interviewed more than 300 executives in key industries to determine their views on how changes in technology, environment, demographics, and international politics were changing their jobs.

"Wa were basically seeking to define the characteristics of 21at century enterprise," Mr. Wind said. "We found we weren't providing what the market needed – managers who can operate across functions, in flat hierarchies, in teams, and who can handle globalisation. Our programmes were mostly domestic and didn't deal at all with technology."

Wind's research contribnted to a radical redesign of tha Wharton MBA, where a new curriculum is being implemented throughout the graduate business school this year.

While the Wharton programme varies in design – it makes heavy use of mini-courses in the first year of the 2-year MBA – its building blocks and philosophy are similar to those being adopted at most top-tier schools of management in the US.

The new look MBA strives to incorporate new disciplines, such as information management, leadership, innovation, people skills, and crisis management into curriculums heavy with coursework in traditional fields such as marketing, finance, accounting, human resources, and management strategy. Along with the new topics comes a new teaching approach – integrating diverse material so atudents learn to operate effectively across functions. This innovation is more difficult for faculty than students, since it requires the often balkanised departments of academe to co-operate.

Management schools are introducing heavy doses of international exposure to their students

Another sign of the move toward a different sort of manager is a planned change this year in the standardised business school admission test, commonly known as the GMAT.Aspiring MBAs will be asked to write two essay questions, a sign that companies and universities are beginning to value verbal and analytical skills as highly as mathematics aptitude.

In addition to on-site coursework, management schools such as the University of Michigan, the Uulversity of Chicago, and Harvard, are introducing heavy doses of international exposure to their students, unusual in the US even five years ago.

Northwestern University's Kellogg School, a pioneer in the internationalisation push, will send a third of its MBA students around the world this spring in special study programmes.

Michigan's business school has reformed its MBA around a model that requires extensive real-life experience working at corporations, in what Dean B. Joseph White likens to a medical school approach. At Harvard Business School, where the case method of teaching bas been sacrosanct for decades, there is an ambitious review in the works. Though radical changes are not expected, a recently released position paper advocates a more integrated curriculum, a diversification away from case study, and an explicit emphasis on creating business leaders rather than general managers.

The criticism of the case method, one professor says, is that in a case study the parameters are well defined. "In the real world, the problem is that the problem is not obvious at all," he says. As for leadership, Harvard has always assumed its graduates would become leaders, says Mr. John Kotter, a professor of leadership at Harvard Business School. However, for the first time this year, a course in leadership has become part of the required curriculum.

The University of Chicago has added people skills to the agenda

Sensitive to criticisms that egghead MBAs with financial or accounting acumen, but few social skills fit poorly in most corporate cultures, the University of Chicago has recently added people skills to the agenda of its Graduate School of Business. While still recruiting top-level math wizards, Chicago now subjects its MBA-recruits to outward-bound-style leadership adventures to promote teamwork, and asks second-year MBAs to design socialisation activities for first-year students.

Not long ago, for example, a local theatre group was invited to campus to help pull students out of their academic skins and engage in role-playing.

Some of these changes appear to be faddish. "The problem with the MBA business, like any business, is that MBA programmes have been too successful.

The new look is more for public consumption rather than a reality," says Harvard University's Kotter.

In fact, there are some 700 MBA programmes in the US, and competition among second-tier schools is fierce. Top students and students with funds to pay graduate fees will become scarcer as demographics change, and the US population ages. However, top-level schools are reporting an upswing in both applications and job placements, and are confident of survival no matter what curriculum revisions are made.

This year, Wharton, University of Chicago, Northwestern, Harvard, and others of the MBA elite are reporting applications up on average about 15 per cent.

Recruiting figures are more difficult to pin down, but most of the top schools report that more companies are making campus recruiting visits thon last year, and that graduates are receiving more job offers than during the recession-distressed years of 1991 and 1992.

Laurie Morse

OVERSEAS MARKETING

Education is a big industry

The University of Hull, in Humberside is not shy about advertising its MBA programme. Its MBA in strategic marketing is "the pinnacle qualification" in its field, according to an ad placed by the university in a Singapore newspaper. "Over 100 GMs, MDs, CEOs already in the programme."

It is enough to make old fashioned academics retreat for ever into their ivory towers. These deys British, Australian, Canadian and US universities market their courses overseas like General Motors sells its cars, or Chanel its perfume.

About 12,000 Singapore students are at present involved in some form of higher education overseas - with more than 3,000 of them in Britain. The figures for Malaysia are higher: more than 50,000 Malaysians are at tertiary level institutions overseas. Of those, about 9,000 are in the UK, with another 3,000 at British secondary schools or studying for university entrance.

Worldwide, education has become a hig industry. It is estimated that students from Singapore and Malaysia contribute about £200m to the UK balance of payments each year.

In both Malaysia and Singapore, the British Council acts as a vital conduit for students planning to study in Britain. Despite the recent fracas over Malaysia's ban on government contracts with British companies, educational links appear unaffected. The student counselling room at Kuala Lumpur's British Council is crowded everyday.

"People here have a great appetite for higher education," says Mr Gareth Howell, director of the British Council in Kuala Lumpur. "I can't see any slackening of demand for overseas places between now and the end of the century.

While law and medicine continue to be popular, there ls increasing demand for engineering and business orientated courses, including accountancy. "The MBA seems to be the thing these days" says Mr Howell. "Courses focused on finance and banking are particularly popular."

The Malaysian government has become increasingly anxious about the foreign exchange losses caused by the exodus of its students each year. While the bulk of overseas students are privately funded, it is still estimated that they bring about a loss of more than M$3bn (£750m) of foreign exchange reserves each year.

A decade ago the Malaysian anthorities started to allow local private colleges to set up twinning degree courses with overseas institutions. Private colleges are now in virtually every part of the country: many thousands of Malaysian students study for one or two years at such colleges in Malaysia and then do the remainder of their course in Britain or elsewhere.

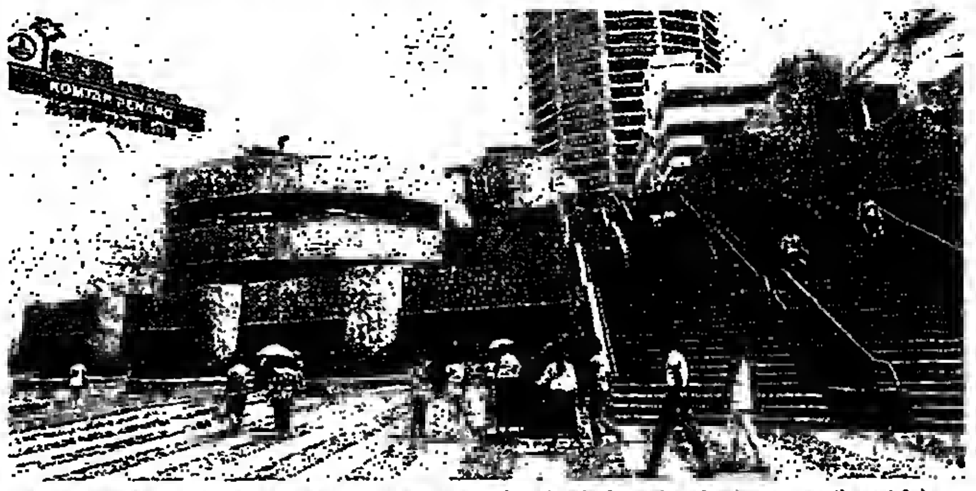
In the case of MBAs alone, 12 British universities and management centres now offer courses in collaboration with Malaysian institutions. Many of Malaysia's big companies send their personnel on such courses. The same applies in Singapore.

Twinning not only saves on foreign exchange and makes higher education cheaper for many thousands of students. It also plugs a considerable gap between supply and demand for higher education within Malaysia.

Malaysia aims not just to cut down on the number of its students going abroad. Through twinning programmes it eventually hopes to develop its own education services to a level where it can serve as a regional educational centre - instead of sending students overseas, Malaysia hopes to be able to encourage students from Singapore, Thailand and Indonesia to do MBAs and other courses in Malaysia.

In time, it is likely that foreign universities will be allowed to set up campuses in Malaysia. The University of London is already involved in discussions abont such a scheme.

"The authorities want students to be able to do the whole degree programme here," says Mr Howell. "That would mean either foreign universities setting up here or foreign institutions franchising their complete degree courses to local colleges."


Foreign educational institutions continue to beat a path in fast-developing, education-hungry, south-east Asia

But such moves are still some way off. First problems have to be ironed out in the twinning programmes. There are worries that not all courses under such programmes are being properly supervised – both by institutions overseas and by the private colleges in Malaysia.

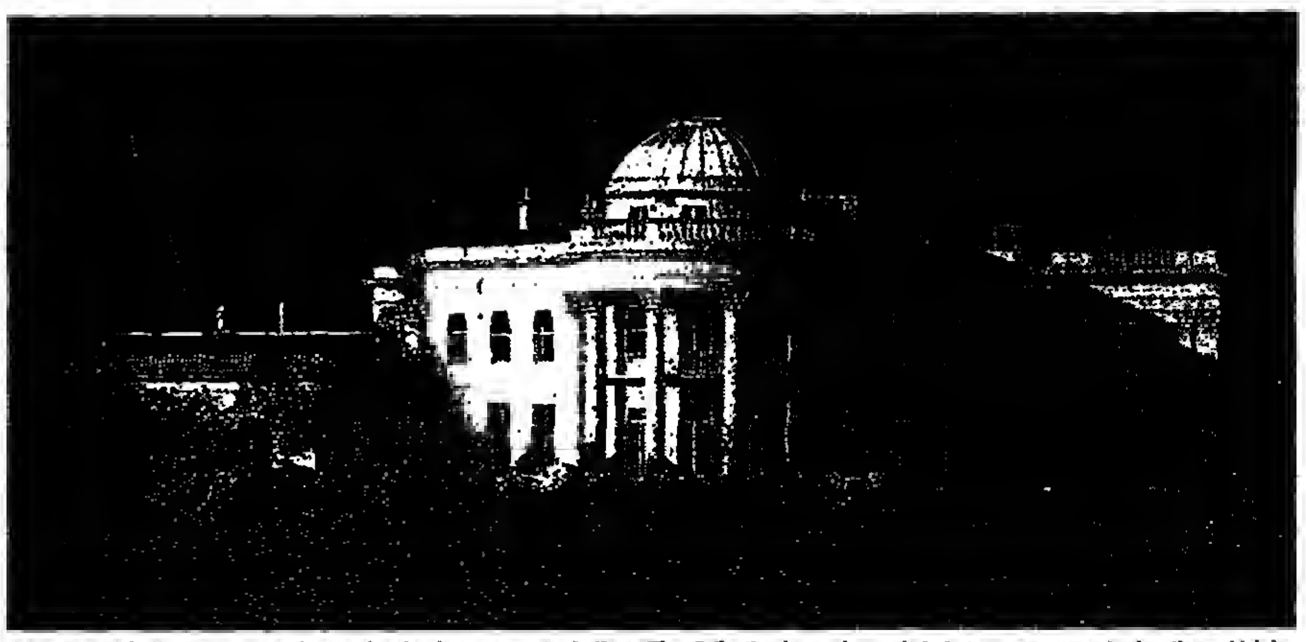
"Tension between the marketeers of such courses and the guardians of academic standards is probably inevitable," says Mrs Alexia Bannikoff, a counsellor in education and training at the Australian High Commission in Kuala Lumpur.

There are now more Malaysians at tertiary institutions in Australia than any other overseas group. Australia also bas 20 twinning programmes in Malaysia. Again, there are no signs that the flow of students is drying up.

But there is concern that the first year of such twinning programmes in Malaysia is often treated merely as an extension of school, leaving the student ill-prepared for the less disciplined world of university, with its emphasis ou self learning.

Wider questions of just how much academic freedom the Malaysian government will be ready to tolerate will doubtless occur – particularly if foreign institutions open local campuses – but such questions are not deterring foreign educational institutions and their marketing people. They are continuing to beat a path to Malaysia and elsewhere in fast-developing, education-hungry, south-east Asia.

Kieran Cooke


Sundridge Park, the corporate and executive development centre in Kent. 'The distinction has to be made between management education, which is an investment in the future, and development, which is getting organisations to do something better now', says chief executive John Chadwick

CHICAGO

High-flyers are the target

In an ambitious attempt to export American management education to Europe which will be watched keenly hy its rivals, the University of Chicago Graduate School of Business will launch an executive MBA programme in Barcelona in July.

The course will consist of ten sessions held over 18 months, adding up to 14 weeks of intensive work. Taught in English by members of the regular faculty of the Chicago business school, it will be aimed at high fliers with about 10 years of business experience.

The Chicago school claims this is the first time an executive level programme, leading to an MBA degree, has been offered in Europe by a leading American institution.

However, the precedent of Harvard – which once considered offering a shortened version of its Advance Management Programme in Switzerland – is seen by some as salutary. Chicago appears to have spent a lot of time and effort wooing European companies, but it is bound to be a hard sell in the current economic climate and at a time when European schools are becoming more international.

Robin Hogarth, Chicago's deputy dean, said recruitment is "going well", though he was reluctant to talk numbers. "I doubt if we'll be up to 80 [the maximum] this time". He rejects the Harvard parallel, stressing that Chicago "is in this for the long term" and "invented the executiva MBA concept in the US 50 years ago".

Chicago courses in Barcelona will be taught in a newly renovated building with state-of-the-art facilities provided with the aid of Argentaria, a large Spanish financial services company.

European participants will travel to Chicago in the second year to take courses with their American counterparts. Similarly, Americans following the executive MBA in Chicago will travel to Spain.

Tim Dickson

MARKET REPORT

Nervous equities overshadowed by Fed meeting

By Terry Byland,
UK Stock Market Editor

A trading session overshadowed by worries ahead of the meeting today of the US Federal Reserve's Open Market Committee closed with share prices giving ground as Wall Street fell sharply in early trading. The final hour in London coincides with the traditional timing of for the Federal Reserve to intervene in US money markets, and some traders in London clearly feared a preemptive strike from the Fed yesterday.

Equities spent most of the session following the gilt-edged market which had an equally unsettled session. After opening lower, share priceo slipped below the. Footsle 3,200 mark before both bonds and equitieo steadied following the announcement of the UK's non-EC trade deficit for last month. The deficit was smaller than anticipated in the market.

The stock market failed to join fully in the rally in bonds and was soon again overshadowed by the weakness on Wall Street. The final reading showed the FT-SE Index at 3,198.0 for a loss on the day of 20.1. The FT-SE Mid 250 Index also eased, shedding 11.1 to 3,854.5.

Traders warned that turnover in equities had been unimpressive – Seaq volume fell 17 per cent to 506.3m shares. In addition to the Fed's Open Market Committee meeting today, markets have to face auctions this week of $28m in near-term US bonds; London must also brace itself for the UK Retail price index, due tomorrow, and expected to ohow that domestic inflation has remained subdued.

Account Dealing Dates			
*First Dealings:	Mar 14	Mar 28	Apr 11
Option Declarations:	Mar 24	Apr 7	Apr 21
Last Dealings:	Mar 25	Apr 8	Apr 22
Account Day:	Apr 5	Apr 10	May 3

*New time dealings may take place from two business days earlier.

However, on Friday, retail business in equities was worth £1.43bn, fully maintaining the bounding volume levels which have brought such excellent trading results this year from the securities houses and merchant banks.

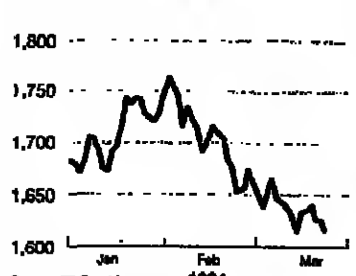
The flow of company reporting statemants continued to oupport views that the stock market will benefit from recovery in company profits, even while economic recovery appears to be sluggish. Bunzl, the paper group, joined the list of leading British companles to increase its dividend payout oignificantly. Better news on the European car industry came from Porsche and Lucas Industries, which although it left the dividend unchanged, indicated some steadying in industry sales. Overall, however, share prices moved in thin trading and traders were unwilling to take on new share positions.

Yesterday'o market performance suggeated that the European bourses are still finding difficulty in shaking off the influence of US credit policies, even though local analysts continue to argue that interest rates can be lower in Europe while they rise in the US.

There is no certainty that the US Federal Reserve will make any announcement today – in the past, it has left the markets to scrutinise the Fed's intervention money market intervention policies to discern its policy. However, Mr Greenspan did make a statement a montb ago when the Fed changed stance and London analysts expect a formal statement today if the Fed decides to take serious action, such as increasing its discount rate. At worst, a half point rise in the rate is thought possible.

Some London strategists took the view that, since the Federal Reserve has made clear its intentions to tighten policy, European markets will be unsettled until it makes its move. In the meantime, it was clear yesterday that the London market is unlikely to develop much significant direction.

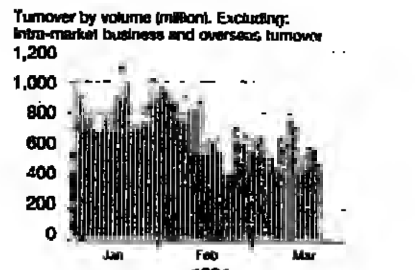
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3198.0	-20.1	FT Ordinary index	2526.2	-14.5
FT-SE Mid 250	3854.5	-11.1	FT-SE-A Non Fins p/e	21.54	(21.60)
FT-SE-A 350	1623.8	-8.9	FT-SE 100 Fut Jun	3198.0	-17.0
FT-SE-A All-Share	1616.26	-8.62	10 yr Gilt yield	7.38	(7.35)
FT-SE-A All-Share yield	3.58	(3.56)	Long gilt/equity yld ratio:	2.19	(2.20)

Best performing sectors

1. Life Assurance .... +0.8
2. Oil Exploration & Prod .... +0.5
3. Gas Distribution .... +0.5
4. Oil, Integrated .... +0.2
5. Mineral Extraction .... +0.2

Worst performing sectors

1. Banks .... -2.4
2. Engineering, Vehicles .... -1.2
3. Telecommunications .... -1.1
4. Tobacco .... -1.1
5. Media .... -1.0

Oils on the alert

The oil sectors provided the market'o two highest turnover stocks in BP and Lasmo, ahead of what is viewed by oil analysts as a crucial Opec meeting in Geneva on Friday.

Oil specialists were saying yesterday that stories emanating from the Middle East suggested that the most likely ontcome of the talks was a roll-over of the current output agreement for a further two quarters.

"If that is the case then there is probably scope for a further $1 slide in oil prices to around the $12.50 a barrel level," said one analyst.

BP was the market's biggest turnover stock with 7.6m traded, as the shares edged up 3¼ to 371p as some of tha market's action funds adopted an aggressively positive view of Friday's Opec meeting.

Shell, on the othar hand, dipped 2¼ to 670p, after talk of awitching into BP. Lasmo shares were sustained throughout the session, closing a penny ahead at 131p on 7.2m traded following keen support by one of the big international marketmaking firms. Lasmo is due to announce preliminary figures tomorrow.

Lucas downgraded

Aerospace and motor components group Lucas Industries surrendered 10 to 209p, in healthy volume of 6.5m, after several brokers downgraded full-year profit expectations following the release of interim figures.

Brokers said earlier predictions had been over-ambitious and several analysts said the company was a little too optimistic about the short-term recovery prospects, though prospects for the long term remained good.

Dealers also said tha improvement in profits had been discounted.

Brokers downgrading included BZW, which reduced its forecast by £13m to £72m, and Panmure Gordon, which trimmed its figure by £11m to £75m. Mr Harry Philips at the Panmure said: "Trading conditions remain difficult, but I remain positive particularly obont the year to July 1996."

However, NatWest Securities was more positive and it upgraded its current year forecast by £10m to £80m.

De La Rue hit

The world's largest bank note manufacturer, De La Rue, was the biggest casualty in the FT-SE 100 after announcing a small acquisition and also suffering a bout of profit-taking. On tbe first day of its return to the Footsie index of leading UK companies, De La Rue's shares fell 41 to 980p on comparatively high turnover of 1.1m. The sbares bave recently risen oharply following a rumoured opgrade by Cazenove.

The company alao announced that it had bought MB-Clarke, the cheque printing arm of conglomerate Caradon. Caradon shares eased 4 to 392p.

Finally, there was some concern over the rising price of paper, which was highlighted by an encouraging statement from paper merchant Bunzl as well as newspaper comment. However analysts said printers such as De La Rue would find it easy to pass on the higher prices to customers and would not suffer. Bunzl shares lifted 2 to 183p.

Bank shares were among the market's worst performers as dealers fretted about increased interest rates in the US and their impact on European markets.

NatWest's acquisition of Citizens First Bancorp of the US for $500m unsettled NatWest late in the session with the bank's shares closing 13 down at 472p.

The latest slide by the Hong Kong market triggered a fresh burst of selling in the leading Hong Kong related stocks such as HSBC, finally 32 off at 772p. Standard Chartered dipped 36 to 1124p.

Schroders was again the pick of the merchant banks with the market still responding to last week's bumper profits and the 50 per cent dividend increase and also picking up suggestions that the bank may be interested in absorbing US associate Wertheim Schroder. Schroder shares climbed 24 to 1193p.

Other merchant banks, however, fell back as dealers continued to worry about potential market losses during the recent upheavals in bond markets across the globe. SG Warburg dipped 17 to 748p.

A weekend Press story suggesting that Liberty Life, the international insurance group, is preparing a mega-bid, triggered a short-lived mark-up in Snn Alliance sbares, wbich touched 338p before slipping back to close unchanged at 329p.

Pharmaceuticals group Glaxo held its ground after a recommendation from NatWest Securities pointed out the yield benefits of the stock. The shares were higher but finished 1¼ off at 683p. The note also recommended Zeneca, up 2 at 756p.

USM-listed ML Laboratories improved 9 to 234p after a new product received approval from the EU medicines approval body.

Press reports that resnlts pending from Wambley will include large property write-downs, as well as some gloomy speculation over trading prospects, saw the shares slump 25 per cent, closing 3½ down at 10¼p. There was further media comment on Forte, up 2¼ at 262¼p, and Savoy, 10 ahead at 1125p. Forte owns a large minority share of the Savoy and there has been speculation of an impending deal between the two.

Results from Argos, the catalogue stores group, came In line with market forecasts, with the shares, up 4 at 359p, being helped by an upbeat trading statement.

Boots and WH Smith moved in opposite directions, althougb analysts put this down to technical reasons rather than reaction to reports that a restructuring announcement about the groups' joint Do It All home improvement subsidiary was imminent. Boots shares were oteady at 536p, wbile WH Smith retreated 10 to 514p.

Reuters was firm on reports that the German Stock Exchange might be prepared to take on Globex, Reuters' electronic futures and options system. The shares added 10 at 2020p.

Elsewhere, the sector was hard hit by bearish press comment that It was overvalued. Reed International, which disappointed with its figures last week, fell a further 21 to 848p. Some analysts began to feel the shares now represented a buying opportunity. United Newspapers, which is expected to show margins under pressure when it publishes figures on Thursday, fell 17 to 671p and Carlton Communications lost 23 at 940p.

Advertising group Saatchi & Saatchi olipped 6 to 143p on reports that tha chief executive might quit this week.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo, Peter John,
Steve Thompson

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (55).

BANKS (1) Sumitomo Trust & Bk., BREWERIES (2) Gibbs Mew, Young A. CHEMICALS (5) BASF, Bayer, Hoechst, Porvair, Wolstenholme Rink, DISTRIBUTORS (2) Headlam, ISA Int'l., ELECTRNC & ELECT EQUP (2) Scholes, Thorpe (FW), ENGINEERING (4) Clyde Blowers, FKI, Lincat, Renold, EXTRACTIVE INDS (7) Anglo Amer. Coal, Caledonia Mining, Int'l. Musto, NSM, Sons Gwalia, Watts Blake, Willoughbys' Prfd., HEALTH CARE (1) Amersham Int'l., HOUSEHOLD GOODS (1) Delaney, INSURANCE (2) Sedgwick, Trade Indemnity, INVESTMENT TRUSTS (6) Berry Starquest, General Consld. Cap., M & G Recovery Cap., Do Package Units, Mauritius Fund, Melville St. Wrts., INVESTMENT COMPANIES (2) JF Japan OTC Fd., Korea Liberal Wrts., LEISURE & HOTELS (1) Savoy Hotels A, MEDIA (3) Euromoney, Holmes Marchant, Shandwick, OIL EXPLORATION & PROD (2) Goal Petroleum, Ohio Resources, OTHER FINANCIAL (2) Burlington, Camellia, PRTNG, PAPER & PACKG (2) Portals, Sappi, PROPERTY (2) Birkby, In Shops, RETAILERS, GENERAL (2) Oliver, Signet 8¾p Cv. Prf., SUPPORT SERVS (3) Computer People, Kalamazoo, Manpower Inc., TEXTILES & APPAREL (1) Claremont Garments, AMERICANS (1) Lowe's, CANADIANS (1) Rio Algom.

NEW LOWS (23).

GILTS (6) ELECTRNC & ELECT EQUP (1) Roxspur, HEALTH CARE (1) Caleb Int'l., INSURANCE (1) Abtrust Lloyds, INVESTMENT TRUSTS (7) Abtrust Emrg. Economies, Do Wts., Friends Prov. Ethn. Uts., Kleinwort Euro. Prvt., Do Wrts., Taiwan Inv., Do Wrts., LEISURE & HOTELS (1) Wembley, MEDIA (1) Gold Greenlees Trott, OIL EXPLORATION & PROD (1) Ex. Co of Louisiana, OTHER SERVS & BUSNS (1) Shanks & McEwan, PROPERTY (1) Chelsfield, SUPPORT SERVS (1) Sherwood Computer Serv., TEXTILES & APPAREL (1) Haggas (J), AMERICANS (1) Houston Inds.

EQUITY FUTURES AND OPTIONS TRADING

Derivatives traders reported a dull and uneventful session as they awaited the outcome of today's US Federal Reserve's Open Market Committee meeting, *writes Joel Kibazo.*

In Liffe futures, the June contract on the FT-SE 100 opened at 3,207. Early selling saw it fall to tha day's low of 3,192 within the first hour of trading. Tha release of favourabla UK economic data, and a rally in the bonds helped bring about a recovery in Juna over the lunch time period.

The retreat on Wall Street brought about another fall in the contract before it finished at 3,198, at parity with cash but down 17 on Friday's close and around 10 points below its fair value premium to cash of about 10 points. Volume at the official close was a poor 9,869.

The FT-SE Mid-250 on Liffe was also dull with 2 contracts dealt as June closed at 3,855. The screen showed no contracts traded in the same contract on the OMLX.

The Liffe traded options sector had one of its poorest days In recent sessions with turnover reaching only 21,575 contracts. The FT-SE 100 option traded 6,094 lots while the Euro-FT-SE 100 option saw business of 3,141 contracts.

HSBC was the busiest stock option with a total of 1,805 contracts dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3207.0	3198.0	-17.0	3217.0	3192.0	12497	54348
Sep	3218.0	3216.0	-16.0	3218.0	3218.0	10	890
Dec	3235.0	3224.0	-11.0	3235.0	3235.0	1	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3855.0	3855.0	-10.0	3855.0	3855.0	2	1349

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3857.0	3852.0	-5.0	3857.0	3857.0	1	786
Jun		3870.5					

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3198) £10 per full index point

	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P
Apr	207½	11½	162½	18½	122½	28	89½	43½	55½	66	34½	96½	18½	132½	10½	173½
May	223½	30½	183½	40	147	52½	115	89½	88	91	64	119	44	148½	31½	186
Jun	235½	41	199½	54½	162½	68	134½	88½	105	109	84½	135½	82	164½	46½	198½
Jul	248	51	213	64½	180	80½	151	101	122½	122	99½	149½	79½	178	62	209½
Dec†	311	99			249	131			180	171			141	222		

Calls 4,598 Puts 1,524

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P
Apr	177½	14	135½	22½	98½	34½	67½	53½	43½	78½	25½	113½	14	148½	7	192½
May	203½	34	166	46	132	61½	101½	80½	74½	103½	53½	131½	37½	165	25	202½
Jun	213½	42½			146½	74½			94½	121			56½	182		
Sep	259½	73½			195	105			139½	148½			97	203		
Dec†	294½	103			231	136			178	177			129	228½		

Calls 749 Puts 2,375 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3850		3900		3950		4000		4050		4100		4150		4200	
Apr	62	63	45	40½	26½	132	15½	172½	10½	216½	3	263½	2		1½	
May																

Calls 1 Puts 10 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Mar 21	Day's chge%	Mar 18	Mar 17	Mar 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3198.0	-0.6	3218.1	3255.7	3242.9	2863.9	3.78	5.84	20.40	23.12	1181.63
FT-SE Mid 250	3854.5	-0.3	3865.6	3886.6	3890.4	3144.0	3.18	5.20	23.64	14.80	1403.82
FT-SE Mid 250 ex Inv Trusts	3875.4	-0.3	3885.8	3902.2	3906.0	3167.6	3.27	5.60	22.13	14.40	1406.68
FT-SE-A 350	1623.8	-0.5	1632.7	1646.4	1644.8	1423.5	3.63	5.77	21.08	10.45	1227.47
FT-SE SmallCap	1994.96	-0.3	2001.51	2008.99	2009.78	1568.26	2.82	3.78	33.07	8.11	1520.10
FT-SE SmallCap ex Inv Trusts	1977.38	-0.0	1983.59	1988.78	1989.47	1578.61	2.96	4.16	30.63	7.55	1508.81
FT-SE-A ALL-SHARE	1616.26	-0.5	1624.88	1640.76	1636.52	1407.31	3.58	5.62	21.64	10.13	1243.16

■ FT-SE Actuaries All-Share

	Mar 21	Day's chge%	Mar 18	Mar 17	Mar 16	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2539.64	+0.2	2535.01	2553.63	2519.82	2141.90	3.58	4.90	25.34	27.63	1004.34
12 Extractive Industries(4)	3982.34	-0.2	3989.58	3980.04	3844.64	3131.70	3.25	4.46	26.94	26.93	1081.08
15 Oil, Integrated(3)	2442.00	+0.2	2436.12	2460.26	2423.87	2018.00	3.70	5.11	24.41	31.69	986.93
16 Oil Exploration & Prod(11)	1849.93	+0.5	1640.48	1851.71	1836.16	2114.00	3.23	3.68	33.10	0.00	1049.00
20 GEN MANUFACTURERS(264)	2144.55	-0.4	2152.84	2167.50	2159.87	1721.70	3.49	4.02	32.03	11.10	1067.61
21 Building & Construction(31)	1429.63	-0.1	1431.44	1448.00	1451.68	940.60	2.50	3.43	57.19	2.81	1095.70
22 Building Matls & Merchs(30)	2264.23	-0.0	2276.21	2284.26	2291.36	1511.10	3.10	2.70	48.09	1.62	1037.73
23 Chemicals(20)	2461.61	-0.7	2477.96	2486.63	2462.86	2135.40	3.76	4.60	27.33	20.00	1068.42
24 Diversified Industrials(16)	2146.31	-0.2	2150.21	2170.74	2152.07	1851.90	4.28	4.29	30.62	24.90	1075.28
25 Electronic & Elect Equip(34)	2044.71	-0.5	2055.69	2068.71	2095.20	1863.90	3.59	6.24	19.66	2.50	672.36
26 Engineering(72)	1960.38	---	1959.83	1070.14	1966.93	1455.80	2.79	3.01	44.77	3.73	1088.40
27 Engineering, Vehicles(12)	2341.21	-1.2	2369.01	2364.14	2341.83	1829.00	4.45	3.17	42.03	20.61	1112.61
28 Printing, Paper & Pckg(27)	3026.66	-0.6	3045.61	3043.36	3017.06	2302.50	2.70	4.12	29.40	1.50	1162.85
29 Textiles & Apparel(22)	1673.51	-0.7	1687.64	1917.67	1923.67	1899.60	0.59	3.10	20.16	1.56	1032.52
30 CONSUMER GOODS(94)	2843.80	-0.3	2853.17	2872.38	2862.42	2856.00	4.05	7.12	13.55	19.08	953.10
31 Breweries(17)	2202.96	-0.9	2223.23	2239.99	2243.82	2152.80	4.14	7.79	15.72	11.01	965.92
32 Spirits, Wines & Ciders(10)	3026.39	+0.1	3024.00	3039.86	3061.05	2867.30	3.58	6.05	19.30	19.93	992.33
33 Food Manufacturers(23)	2333.31	-0.2	2338.30	2359.83	2344.60	2473.80	4.06	7.44	15.97	11.13	954.17
34 Household Goods(12)	2638.24	-0.2	2643.87	2668.18	2672.10	2344.10	3.25	7.01	16.33	1.07	921.81
36 Health Care(20)	1771.45	___	1771.80	1782.54	1776.16	1792.20	3.11	5.57	21.39	2.98	1004.87
37 Pharmaceuticals(11)	3096.69	-0.3	3106.17	3127.80	3072.92	3074.70	4.05	7.14	16.37	35.65	964.04
38 Tobacco(1)	3913.51	-1.1	3955.46	3968.04	4005.78	4149.90	5.39	8.44	13.92	6.00	842.82
40 SERVICES(221)	2063.94	-0.5	2073.33	2091.27	2092.23	1811.50	2.86	5.36	22.55	6.06	982.87
41 Distributors(31)	3093.55	-0.3	3102.06	3103.78	3101.03	2577.40	2.76	4.88	24.79	5.57	1047.37
42 Leisure & Hotels(22)	2298.18	-0.4	2307.39	2327.55	2315.05	1752.80	3.12	4.42	27.24	13.25	1114.48
43 Media(39)	3157.39	-1.0	3189.62	3214.72	3232.57	2215.40	2.01	4.17	28.61	14.30	1079.81
44 Retailers, Food(17)	1644.59	-0.1	1646.17	1646.67	1647.42	2091.30	3.76	6.71	12.78	1.63	955.05
45 Retailers, General(44)	1716.47	-0.6	1726.58	1753.11	1751.73	1522.30	2.79	5.41	23.17	4.34	896.07
48 Support Services(40)	1688.25	-0.4	1695.39	1716.64	1731.88	1543.10	2.40	3.78	12.81	1.96	1007.47
49 Transport(16)	2582.11	+0.2	2578.23	2592.99	2588.55	2095.00	3.25	3.51	33.06	5.82	991.60
51 Other Services & Business(12)	1205.78	-0.0	1213.51	1222.48	1228.44	1320.40	3.93	3.58	39.43	0.07	1014.94
60 UTILITIES(36)	2389.88	-0.5	2402.25	2435.82	2431.49	2110.50	4.10	7.29	16.92	5.60	893.81
62 Electricity(17)	2310.61	-0.5	2321.42	2344.51	2334.69	1712.50	3.58	10.72	11.47	15.85	933.29
64 Gas Distribution(2)	2037.75	+0.5	2027.54	2076.38	2066.54	1967.80	5.87	‡	‡	0.00	900.34
66 Telecommunications(4)	2078.79	-1.1	2101.29	2134.60	2130.20	1918.80	3.80	5.92	20.98	0.09	864.58
68 Water(13)	1884.28	+0.1	1883.16	1874.74	1889.86	1835.70	4.96	13.63	8.62	3.48	896.98
69 NON-FINANCIALS(633)	1745.50	-0.4	1751.66	1766.55	1760.80	1544.79	3.58	5.68	21.64	6.97	1204.94
70 FINANCIALS(104)	2296.29	-1.5	2330.37	2366.10	2365.74	1674.20	3.67	6.18	18.50	29.00	891.83
71 Banks(10)	2898.92	-2.4	2970.85	3036.00	3047.71	2240.60	3.71	6.53	18.10	55.86	857.31
73 Insurance(18)	1354.59	-0.3	1359.21	1361.40	1353.44	1353.30	4.71	8.05	14.54	13.32	903.26
74 Life Assurance(6)	2616.67	+0.0	2595.71	2614.13	2566.86	2555.30	4.51	4.65	27.06	2.91	982.82
75 Merchant Banks(6)	2977.45	-0.8	3001.53	3067.93	3081.97	2442.00	3.21	7.94	15.37	11.44	876.31
77 Other Financial(25)	2018.79	-0.1	2021.30	2032.24	2035.93	1378.20	3.22	5.68	22.66	12.37	1065.35
79 Property(39)	1674.10	-1.0	1690.99	1703.06	1705.75	1230.80	3.66	3.34	39.67	2.80	934.48
80 INVESTMENT TRUSTS(121)	2873.48	-0.4	2886.45	2928.12	2930.43	2225.50	2.13	1.71	58.37	14.89	954.47
89 FT-SE-A ALL-SHARE(858)	1616.26	-0.5	1624.88	1640.76	1636.52	1407.31	3.58	5.62	21.64	10.13	1243.16

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	8,100	57½	-½
Abbey National†	1,700	480	-5
Albert Fisher	239	64	
Allied-Lyons†	418	614	-2
Anglian Water	648	502	+4½
Argos	621	359	+4
Argyll Group†	4,800	269	+3
Arjo Wiggins†	383	298	-1

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	22	35	17
Other Fixed Interest	0	5	10
Mineral Extraction	80	69	76
General Manufactures	90	216	074
Consumer Goods	26	56	110
Services	75	150	294
Utilities	9	21	10
Financials	102	117	172
Investment Trusts	54	131	275
Others	59	40	36
Totals	497	840	1380

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 21	Last Declarations	June 30
Last Dealings	April 1	For settlement	July 11

Calls: Aminex, Cavordale, Cons Murch, Delta Gold, Kunick, HSBC (75p), Nat Home Ln, Regent Corp, Shield 5.84% Pf, Wilton. Puts: LBMS, Nat Home Ln. Puts 0 Calls: Regent Corp, Telemetrix.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅞	-⅛	£25¼	218¼	6,469	4.8	ϕ
ANZ A$		244¼	-3¾	278¼	130	3,202	2.7	19.2
Abbey National	qN	489xd	-5	524	345	6,292	3.6	16.1
Allied Irish IE	‡	282xd	—	314	179	1,726	4.8	ϕ
Anglo Irish IE	MN	98	—	*70	28	148.4	7.2	11.0
Asahi Y		709¼	+¼	844	415	16,473	8.7	—
Banco Bil Viz Pta		215½	+⅞	£17⅞	213⅞	3,578	5.3	7.0
Banco Sant Pta		£31⅞	—	£36	£24⅞	3,513	4.3	12.1
Bank Leumi (UK)		439xd	—	490	325	35.2	5.8	ϕ
Bk Ireland IE	‡uz	288	-1	*319	177	1,225	4.8	19.2
Bank Scotland	‡†	127	-5	247	116½	2,223	3.1	25.9
9¼pc Pf		130¼	—	141½	117¾	130.8	8.8	-
9¾pc Pf		137¾	+¼	148½	123½	137.8	8.8	-
Barclays	qN	640xd	-12	652	352	8,769	3.5	27.6
Dai Ichi Kan Y		£12⅛	-⅛	216⅞	98⅞	38,909	8.4	68.9
Deutsche DM		£314½	-2¾	£348⅞	£250½	14,953	1.9	-
Espirito Santo		£22⅞	+⅛	£28⅞	£18½	239.5	3.8	5.4
First Nat Fin	N	82	-4	*95	45	135.9	2.3	-
6.3pc Cv Pf		86	—	*91	55	6.73	9.2	-
7pc Cv Pf		160	-1	171	100	78.8	3.5	-
Fuji Bank Y		1451¼	+1	1651	876	42,022	0.4	-
HSBC HK		770xd	-34	1133	474	13,521	3.8	ϕ
HSBC (75p Shs)		760xd	-27	1113	490	6,429	3.9	ϕ
Lloyds	N	582xd	—	690	492	7,478	4.7	12.3
Mitsubishi Y		£19⅞	—	£19¼	£11⅛	52,287	0.3	-
Mits 1st & Bk Y		998¼	+½	1027¼	462½	12,996	0.5	16.0
Mitsui 1st & Bk Y		789	-9¾	892	374	9,454	0.7	35.9
Nat Aust A$		559¼	-5	620¼	322	7,357	4.2	13.8
NatWest	qN	472xd	-13	634	398	7,844	4.9	15.9
Ottomane FFr		£30	-1	£33	£23¾	150.0	3.8	8.6
Ryl Bk Scotland	‡N	432	-5	528	307	3,438	3.2	19.5
Sakura Y		£9¼		411	£5¼	20,982	9.8	54.0

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OIL, INTEGRATED - Cont.

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£23½	£7½	1,344	3.3	♦
Barlow		£4½	-⅛	£5⅝	£3⅞	945.0	6.8	8.0
Gold Fields SA R		£14⅛	+⅛	£18	£7¼	7,397	2.8	24.2
UK Props.	§	80	—	97	68	3.82	8.9	37.0
SASOL	¥	355	-2	381	215	2,011	4.4	-
SA Brews		£13⅜	-⅛	£15⅞	£7⅞	7,383	2.0	22.8
Tiger Oats		776	-13	838	513	7,134	2.1	16.4
Tongaat-Hulett	†	580	+10	583	213	434.1	2.8	16.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♦ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed: dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
i Rights issue pending
q Earnings based on annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for

1993-94.
‖ Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code **FT9981**. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling *from outside the UK, ring +44 81 770 0770* or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

[redacted]

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd (1200)F
10 Queen Street, London EC4R 1AY 071-248 3000
Dealing 071-248 3001

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Smlr Cos	5	71.48	71.48xd	76.24	+0.53	0.00
(Accum Units)	5	73.73	73.73xd	78.64	+0.56	0.00
Dresdner Europe Inc	5	42.01	42.01xd	44.15	-0.28	8.56
(Accum Units)	5	60.74	60.74xd	63.85	-0.41	8.56
European	5	280.79	280.79xd	298.88	-2.07	0.00
(Accum Units)	5	281.13	281.13	297.28	-2.01	0.86
Exempt	2½	548.98	548.98	573.69	+0.86	3.34
(Accum Units)	2½	1780.30	1780.30	1860.47	+3.87	3.34
Foreign Growth	5½	50.09	50.17xd	53.93	+0.30	0.02
Intl Growth	5	110.68	110.68	117.89	-0.42	0.58
(Accum Units)	5	120.31	120.51	128.41	-0.48	0.58
Japan Ind	5	93.53	93.53	99.78	-0.01	0.20
(Accum Units)	5	93.53	93.53	99.79	-0.01	0.00
Little Dragons	5	94.31	94.51	100.58	-3.29	0.46
(Accum Units)	5	97.20	97.09	103.58	-3.37	0.46
Nth Amer Grwth	5	238.89	238.89	254.13	+1.82	0.62
(Accum Units)	5	296.69	296.69	315.62	+2.28	0.62
Overseas Income	5	47.62	47.62	50.79	-0.86	4.87
(Accum Units)	5	62.76	62.76	66.94	-1.27	4.87
Preference	5½	130.07	130.07	128.37	-0.04	7.88
(Accum Units)	5½	631.02	631.02	671.30	-0.24	7.88
Tiger	5	284.70	284.70	302.74	-9.80	0.56
(Accum Units)	5	278.08	278.08	296.61	-9.27	0.56
UK Blue Chip	5	64.51	64.51	68.80	-0.01	2.87
(Accum Units)	5	67.95	67.95	72.58		2.87
UK Growth	5½	530.41	530.41	564.27	-0.44	2.10
(Accum Units)	5½	1174.58	1174.58	1249.55	-0.90	2.10
UK High Yield	5½	109.90	109.90	117.01		3.27
(Accum Units)	5½	343.06	343.06	364.95	+0.01	3.27
UK Recovery	5½	282.98	282.95	301.05	-1.12	1.80
(Accum Units)	5½	515.87	515.87	548.73	-2.04	1.80
UK Smlr Cos	5	106.94	106.94xd	117.47	-0.50	1.71
(Accum Units)	5	125.08	129.10xd	138.35	-0.80	1.71
Uk Smaller Cos Div	5½	108.68	108.68	115.82	-0.28	4.18
(Accum Units)	5½	182.13	183.15	193.75	-0.44	4.18

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Australasian Gold	6	33.22	33.75	36.00	+0.02	-
Pacific Basin	6	41.03	41.03	68.94	-0.44	0.80
Can Barocc Gwth	6	38.48	38.48	38.80	-0.12	-
Global Bond	4	0.9098	0.9098	0.9475	-0.006	5.81
Penny Share	6	31.09	31.09	33.09	-0.12	1.50

Whittingdale Unit Tst Mngmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2¼	97.49	97.28	100.1	-0.70	0.00
Short Dtd Gilt	1¼	112.1	112.1	113.5	-0.49	0.00
US Govmt Bond	1¼	0.7241	0.7241	0.7332	-0.006	2.27
Gilt Income	4	52.32	52.32xd	54.44	-0.35	6.75
Gilt Growth	4	71.81	71.81	74.79	-0.77	0.00
City Reserve	0	52.18	52.18	52.17	0.0	4.10

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd	6	70.77	79.83	84.92	-0.43	1.89

OTHER UK UNIT TRUSTS

INSURANCES

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	275.9	290.5		-
Equity Ser. 1	174.0	183.8	+0.20	-
Prop. Acc. Ser 3	502.8	529.4		-
Equity Ser 2	226.5	238.5	+0.2	-
Selective Acc. Ser 2	484.9	510.5	+0.20	-
Prop. Ser. 4	392.3	413.0		-
Equity Ser. 4	216.1	227.5	+0.20	-
Man. Ser. 4	675.5	711.1	-1.20	-
Fixed Int. Ser 4	344.8	362.8	+0.30	-
Indexed Int. Ser. 4	209.6	220.7		0
American Ser 4	520.7	548.6	+2.30	-
Japan Ser 4	382.6	402.8	+1.80	-
European Ser 4	167.7	176.0	-1.30	-
High Inc. Ser 4	676.4	712.8	-2.50	-
Money Ser. 4	321.2	338.2		0.0
Intl Ser 4	194.8	205.2	-0.50	-
Custodian Ser. 4	172.4	181.5	-0.40	0
Asian Pacific	202.8	213.5	-5.50	-
Ethical	139.9	147.5	-0.40	0
Protected Growth	109.4	115.2		-
Pension Funds				
Property	763.1	803.4		-
Equity	1722.6	1813.3	+1.50	-
Selective	551.0	580.7	+0.20	-
Managed	1454.5	1531.1	-2.10	-
Security	701.4	738.4		-
Fixed Int.	441.5	464.8	+0.40	-
Indexed	236.6	249.2		-
American	505.2	531.8	+2.00	-
Japan	436.7	459.7	+2.30	-
European	281.8	275.6	-2.20	-
High Income	207.2	218.2	-0.90	0
Ethical	211.8	222.8	-0.60	0
International	386.3	406.7	-1.20	-
Protected Growth	123.7	130.3	-0.10	0
Asian Pacific	88.6	93.4	-2.00	-

Abbey National Life Plc
201 St Vincent Street, Glasgow 041 305 8000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	115.4	121.8	-0.1	-
UK Equity	115.6	121.7	-0.1	-
International	120.4	126.8	+0.7	-
Deposit	100.2	100.8	-0.1	-
Pension Managed	117.2	123.4	-0.3	-
Pension UK Equity	116.4	122.8	-0.1	-
Pension International	125.6	132.3	-1.2	-
Pension Deposit	102.1	107.5	+0.1	-

Acuma Life Assurance Ltd
The Gantry, Egham, Surrey TW2 9AT 0784 475333

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed Interest	192.85	202.78	+0.27	-
Index Linked Stks	181.39	201.35	+0.18	-
UK Equity/UK Eq Inc	319.24	336.04	+0.37	-
Smll Cos/UK Eq Gwth	243.65	256.47	+0.22	-
Intl American	164.97	172.70	+1.09	-

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[redacted]

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

All eyes on the Fed

It was a case yesterday of "All eyes on the FOMC" as foreign exchanges focused on today's important meeting of the Federal Opeo Market Committee in the US, *writes Philip Gawith.*

The policy-making FOMC is widely expected to sanction a further tightening of monetary policy by the US Federal Reserve. Its deliberations have taken on added importance following last Friday's unscheduled meeting between President Clinton and Mr Alan Greenspan, chairman of the Fed.

Markets remain unsure whether that meeting signified political interference in monetary policy, or heralds an even quicker tightening of policy than previously anticipated.

Markets were very quiet ahead of the FOMC with few noticeable trends in trading. The dollar finished slightly firmer in London against the D-Mark at DM1.6979 from DM1.6961 on Friday. It finished marginally higher against sterling - $1.4845 from $1.4888 - and was also firmer against the yen, closing at Y106.920 from Y106.035.

The D-Mark was slightly weaker in Europe, with the market anticipating further cuts in the repo rate, while sterling weakened following the release of mixed non-EU trade figures.

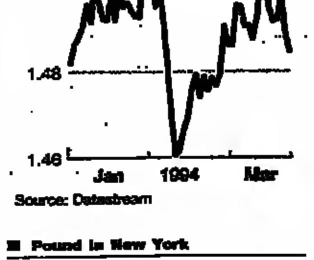
■ Trading got off to a slow start in Europe yesterday with Japanese markets closed on account of the spring equinox national holiday. London traders said the morning was "exceptionally quiet" before the US market opened.

Mr David Barrett, trader at Natwest Markets, said foreign exchanges were "blinkered to anything but Fed rate hikes". Many corporates preferred to stay on the sideline with much of the business inter-bank.

Markets remain confused about how to interpret last Friday's meeting, but there is a broad consensus that at least a 25 basis points tightening in the Federal Funds rate can be expected. This would be in keeping with Mr Greenspan's gradualist reputation. A minority view is that there may be a 50 basis points increase in the discount rate.

Sterling

Against the dollar ($ per £)



Source: Datastream

■ Pound in New York

Mar 21	—Latest—	– Prev. close –
£ spot	1.4815	1.4905
1 mth	1.4794	1.4884
3 mth	1.4768	1.4829
1 yr	1.4719	1.4799

Mr Gerard Lyons, chief economist st DKB International, said the Fed should be seeking to stabilise financial markets. After Friday's meeting, though, widely condemned in the markets as insensitiva, there is a risk that the Fed is in a lose-lose situation. No change, or a small increase, could well result in a dollar sell-off. A 50 basis points hike, on the other hand, could "spook" the market by causing it to think that the inflation threat is worse than the Fed has let on.

The anticipated tightening in interest rates was reflected yesterday in the Fed Funds rate which was trading in the 3.31-3.37 per cent range, compared to the 3.25 per cent target level set by the Fed. The rate later fell back to 3.31 per cent after the Fed added temporary reserves to the banking system through three-day system repurchase agreements.

In the futures market the June eurodollar contract traded at 95.58, discounting interest rates of 4.42 per cent in June. Three month US money is currently trading at 3.87 per cent/3.93 per cent.

Analysts were agreed that no matter what the Fed does, there is little short-term upside for the dollar. Mr Lyons said the market had already discounted the tightening. He said the upward movement in rates across the yield curve, since the Fed last tightened on February 4, was an effective tightening of policy.

■ The D-Mark traded slightly weaker in Europe. Unchanged against the French franc at FFr3.407, it finished at L987.7 from L989.3 against the Italian lira. It was also lower against the Spanish peseta closing in London at Pta81.87 from Pta82.14 on Friday.

Mr Jeremy Hawkins, senior economic adviser at the Bank of America, said the D-Mark was not going anywhere, as the dollar remained well underpinned, while a further cut in the German repo rate was a constraint on would-be D-Mark bulls. He predicted a further 5-7 basis points cut from the current level of 5.88 per cent.

The prospect of higher interest rates in the US put a dampener on the futures market. The June three-month euromark contract lost two basis points to settle at 94.50. The December contract fell by three points to 94.89, indicating that the market expects rates to fall by about 60 basis points by December. Three month money is currently trading at 5.70/ 5.80 per cent.

In the cash markets, German call money continues to trade at 5.70/5.80 per cent reflecting market expectations of a cut in the repo rate.

■ Sterling had a fairly quiet day finishing at DM2.5205, half a pfennig below the DM2.525 where it closed on Friday. It weakened on the release of February non-EU trade figures. Stripped of oil and erratics, the deficit was £673m, up from £612m in January.

In the discount market the Bank of England cleared a small £250m shortage with afternoon assistance of £274m.

Sterling futures barely moved with the June contract closing one point firmer at 94.84. In the cash market three month money was bid at 5¼ per cent.

■ OTHER CURRENCIES

Mar 21	£	$
Hungary	153.935 - 154.188	103.730 - 103.830
Iran	2597.00 - 2603.00	1748.00 - 1750.00
Kuwait	0.4419 - 0.4434	0.2978 - 0.2988
Poland	32728.1 - 32750.2	22054.0 - 22054.0
Russia	2560.76 - 2588.18	1725.00 - 1730.00
U.A.E.	5.4503 - 5.4533	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Philippines	(Peso)	27.5750	-	000 - 500	27.7500	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7498	+0.0007	495 - 499	3.7503	3.7490	3.7505	-0.2	3.7528	-0.3	3.7643	-0.4	-
Singapore	(S$)	1.5860	+0.002	855 - 865	1.5875	1.5840	1.5854	0.5	1.5849	0.3	1.5835	0.2	-
S Africa (Com.)	(R)	3.4498	+0.003	490 - 505	3.4525	3.4420	3.4663	-5.7	3.4923	-4.9	3.5853	-3.9	-
S Africa (Fin.)	(R)	4.5850	+0.015	800 - 900	4.5950	4.5725	4.619	-8.9	4.679	-8.2	-	-	-
South Korea	(Won)	807.400	+0.65	300 - 500	807.600	806.100	810.4	-4.5	813.9	-3.2	832.4	-3.1	-
Taiwan	(T$)	26.3950	+0.005	900 - 000	26.4200	26.3800	26.4605	-3.0	26.561	-2.5	-	-	-
Thailand	(Bt)	25.3200	-	100 - 300	25.3300	25.3000	25.4	-3.8	25.525	-3.2	26.045	-2.9	-

†SDR rate for Mar 18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Mar 18. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.55	4.858	2.004	4799	5.492	21.06	499.1	397.8	22.57	4.113	1.927	3.902	2.862	304.1	2.517
Denmark	(DKr)	52.54	10	8.697	2.552	1.053	2521	2.889	11.07	262.2	209.0	11.86	2.181	1.012	2.050	1.503	159.8	1.322
France	(FFr)	60.41	11.50	10	2.935	1.211	2899	3.299	12.72	301.5	240.3	13.63	2.484	1.164	2.357	1.729	183.7	1.520
Germany	(DM)	20.58	3.918	3.407	1	0.413	987.7	1.124	4.336	102.7	81.87	4.645	0.846	0.397	0.803	0.589	62.59	0.518
Ireland	(I£)	49.89	9.497	8.260	2.424	1	2394	2.725	10.51	249.0	198.5	11.26	2.052	0.962	1.947	1.428	151.7	1.256
Italy	(L)	2.084	0.397	0.345	0.101	0.042	100.	0.114	0.439	10.40	8.289	0.470	0.086	0.040	0.081	0.060	6.337	0.052
Netherlands	(Fl)	18.31	3.485	3.031	0.890	0.367	878.6	1	3.857	91.39	72.83	4.132	0.753	0.353	0.715	0.524	55.68	0.461
Norway	(NKr)	47.47	9.037	7.859	2.306	0.952	2278	2.593	10	237.0	188.8	10.71	1.952	0.915	1.853	1.359	144.4	1.195
Portugal	(Es)	20.03	3.814	3.317	0.973	0.402	961.4	1.094	4.220	100.	79.69	4.521	0.824	0.386	0.782	0.573	60.93	0.504
Spain	(Pta)	25.14	4.785	4.162	1.221	0.504	1206	1.373	5.296	125.5	100.	5.673	1.034	0.484	0.981	0.718	76.45	0.633
Sweden	(SKr)	44.31	8.435	7.336	2.153	0.888	2126	2.420	9.334	221.2	176.3	10	1.822	0.854	1.729	1.268	134.8	1.115
Switzerland	(SFr)	24.32	4.628	4.025	1.181	0.487	1167	1.328	5.122	121.4	96.72	5.487	1	0.469	0.949	0.696	73.95	0.612
UK	(£)	51.89	9.877	8.590	2.521	1.040	2490	2.834	10.93	259.0	206.4	11.71	2.134	1	2.025	1.485	157.8	1.306
Canada	(C$)	25.62	4.878	4.242	1.245	0.514	1230	1.400	5.398	127.8	101.9	5.783	1.054	0.494	1	0.733	77.93	0.645
US	($)	34.94	6.651	5.785	1.698	0.700	1677	1.908	7.360	174.4	139.0	7.886	1.437	0.673	1.364	1	106.3	0.879
Japan	(Y)	328.8	62.59	54.44	15.96	6.591	15779	17.96	69.26	1641	1306	74.21	13.52	6.337	12.83	9.411	1000.	8.276
Ecu		39.73	7.563	6.577	1.930	0.796	1907	2.170	8.369	198.3	158.0	8.966	1.634	0.766	1.551	1.137	120.8	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.5855	0.5860	-0.0010	0.5868	0.5847	43,287	87,662
Sep	0.5840	0.5838	-0.0015	0.5840	0.5838	428	2,845
Dec	-	0.5835	-	-	0.5835	2	114

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.6927	0.6952	+0.0016	0.6956	0.6917	20,125	31,636
Sep	0.6953	0.6957	+0.0012	0.6960	0.6950	5	262
Dec	-	0.6970	-	0.6970	-	2	37

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	0.9432	0.9437	-0.0015	0.9448	0.9427	14,793	48,189
Sep	0.9482	0.9485	-0.0018	0.9488	0.9482	168	1,782
Dec	-	0.9558	-	-	-	8	384

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Jun	1.4840	1.4792	-0.0078	1.4844	1.4772	13,273	24,484
Sep	1.4760	1.4760	-0.0080	1.4760	1.4740	20	630
Dec	-	1.4764	-	-	1.4720	12	41

EMS EUROPEAN CURRENCY UNIT RATES

Mar 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.796669	+0.00014	-1.48	4.42	10
Netherlands	2.19672	2.17016	+0.00042	-1.21	4.14	-
Belgium	40.2123	39.7729	+0.0056	-1.09	4.01	8
Germany	1.94964	1.93083	+0.00068	-0.96	3.88	-
France	6.53883	6.57833	+0.00086	0.60	2.26	-5
Denmark	7.43679	7.57045	+0.00736	1.80	1.06	-12
Spain	154.250	158.023	-0.533	2.45	0.42	-17
Portugal	192.854	198.401	-0.253	2.88	0.00	-19
NON ERM MEMBERS						
Greece	264.513	281.669	+0.022	6.49	-3.39	-
Italy	1793.19	1908.32	-3.3	8.42	-3.33	-
UK	0.786749	0.756473	+0.000621	-2.58	5.60	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.400	8.00	7.96	8.05	-	0.09	0.32
1.425	5.61	5.76	8.01	0.01	0.33	0.71
1.450	3.35	3.79	4.19	0.24	0.83	1.36
1.475	1.59	2.25	2.71	0.93	1.74	2.36
1.500	0.54	1.18	1.68	2.38	3.10	3.71
1.525	0.12	0.54	0.85	4.39	4.95	5.45

Previous day's vol., Calls 19,023 Puts 23,615 . Prev. day's open int., Calls 502,381 Puts 402,697

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

Mar 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅛ - 3½	5¼ - 5	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5 7/16 - 5 5/16
Sterling CDs	-	-	5⅛ - 5 1/16	5⅛ - 5 1/16	5 3/16 - 5⅛	5 5/16 - 5¼
Treasury Bills	-	-	4 13/16 - 4 27/32	4¾ - 4 11/16	-	-
Bank Bills	-	-	4 13/16 - 4 27/32	4 13/16 - 4 27/32	4 29/32 - 4 27/32	-
Local authority deps.	5 5/16 - 5 3/16	4 15/16 - 4 13/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5 5/16 - 5 3/16
Discount market deps.	5 - 3½	5 1/16 - 5¼	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 4.8056pc. ECGD fixed rate Stlg. Export Finance. Make up day February 28, 1994. Agreed rate for period Mar 26, 1994 to Apr 25, 1994, Schemes 5 & III 6.50pc. Reference rate for period Feb 1, 1994 to Feb 28, 1994, Schemes IV & V 5.285pc. Finance House Base Rate 5½pc from Mar 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jun	94.83	94.84	+0.01	94.85	94.81	11283	119097

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9500	0.05	0.09	0.09	0.22	0.42	0.67
9525	0.01	0.04	0.04	0.42	0.62	0.67

Est. vol. total, Calls 6093 Puts 2465. Previous day's open int., Calls 122825 Puts 124080

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.25
Bank of India	5.25	Heritable & Gen Inv Bk	5.25	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Yorkshire Bank	5.25
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank	5.25	Midland Bank	5.25		
Coutts & Co	5.25	*Mount Banking	8		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate' Int Cr: Frequency at which interest is credited to the account.

LEGAL NOTICES

NORTH EAST LONDON PROPERTY COMPANY LIMITED

(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU, on the 13th day of April 1994 at 10.30 a.m. in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it by or under the Act.

Creditors are only entitled to vote if:

(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting, details of the debts they claim to be due, and the claim has been admitted under the provisions of the Insolvency Rules 1986;

(b) there has been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 11th day of March 1994

Y M Bairstow and N Haddock

Joint Administrative Receivers

ENSIGN TRANSPORT CO. LIMITED

Registered number: 3679117

Trade classification: 28

Y M BAIRSTOW and N H COOPER

Joint Administrative Receivers

(office holder nos. 005316 and 005399/011) of

ROBSON RHODES 186 City Road, London EC1V 2NU

Date of appointment: 25 February 1994

By whom appointed: Midland Bank plc

Date of charge: 20 March 1993

Nature of charge: Fixed and Floating

A.C.P. TRANSPORT LIMITED

Registered number: 1900070

Trade classification: 28

A.C.P. (SHIPPING AGENTS) LIMITED

Registered number: 1183552

Trade classification: 30

A.C.P. (FELIXSTOWE) LIMITED

Registered number: 932236

Trade classification: 32

V M BAIRSTOW and N H COOPER

Joint Administrative Receivers

(office holder nos. 005316 and 005399/011) of

ROBSON RHODES 186 City Road, London EC1V 2NU

Date of appointment: 25 February 1994

By whom appointed: Midland Bank plc

Date of charges: 1 December 1986

Nature of charges: Fixed and Floating

COMPANY NOTICES

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 9 MARCH 1994, NOTICE is now given that the following distribution will become payable on or after 16 MARCH 1994 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION PER UNIT	1.00 CENTS
LESS 15% US WITHHOLDING TAX	0.1500 CENTS
	0.8500 CENTS
CONVERTED AT 1.5120	0.5622 PENCE per unit

Barclays Bank PLC
BGSS Depositary Services
168 Fenchurch Street, London EC3P 3HP

[redacted]

WORLD STOCK MARKETS

US INDICES

Dow Jones	Mar 18	Mar 17	Mar 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3895.65	3865.14	3848.15	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	102.11	102.29	102.35	109.77 (15/10/93)	102.11 (18/3/94)	109.77 (15/10/93)	54.99 (1/10/81)
Transport	1732.74	1747.53	1752.38	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	206.24	207.62	207.42	256.46 (31/8/93)	206.24 (18/3/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3911.78 (3891.34) Low 3836.65 (3821.65) (Theoretical)
Day's high 3895.65 (3865.14) Low 3848.15 (3843.26) (Actual)

Standard and Poors							
Composite ‡	471.08	470.90	465.42	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¥	553.20	552.20	548.70	560.59 (2/2/94)	496.45 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.09	44.23	44.41	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.35	261.11	260.34	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	472.96	470.63	469.82	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	803.93	803.85†	798.99	803.93 (18/3/94)	645.87 (26/4/93)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Mar 18	Mar 11	Mar 4	Year ago
Dow Jones Ind. Div. Yield	2.62	2.61	2.62	2.95
	Mar 10	Mar 9	Mar 2	Year ago
S & P Ind. Div. yield	2.37	2.37	2.39	2.44
S & P Ind. P/E ratio	24.58	24.53	24.34	26.82

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	470.10	469.85	-0.55	470.20	469.00	65,630	179,118
Sep	471.90	471.55	-0.75	471.90	471.55	459	4,553
Dec	473.75	473.75	-1.05	473.75	473.75	29	4,034

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Wal-Mart	7,942,600	27	-¼
Hanson Plc	7,301,400	21	-⅛
ATT	5,865,400	53⅞	—
Merck	5,476,200	31¾	+⅛
Du Pont Co	5,133,600	56¾	+⅞
Zeneca Gp	4,878,700	33¾	+¼
Coca Cola	4,842,300	41⅞	+¾
Citicorp	4,665,700	38¼	-1¼
Telefonos	4,607,300	39¼	-1¼
Gen Motors	4,278,200	60⅞	-⅛

TRADING ACTIVITY

Volume (million)	Mar 18	Mar 17	Mar 16
New York SE	448.361	303.893	306.116
Amex	22.904	21.105	17.041
NASDAQ	(u)	324.267	338.006
NYSE			
Issues Traded	2,781	2,764	2,772
Rises	1,069	1,150	1,354
Falls	1,083	1,004	794
Unchanged	629	609	624
New Highs	86	95	89
New Lows	70	45	69

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2217.0	2209.0	-24.0	2223.0	2205.0	18,307	37,742
Apr	2224.5	2219.5	-24.0	2233.5	2215.5	2,120	5,627
May	2248.0	2223.0	-24.0	2248.0	2228.0	177	8,706

Open interest figures for previous day.

INDICES

Ireland ISEQ Overall(4/1/88)	1916.65	1909.59	(c)	2082.16 20/1/94	1191.19 11/1/93	
Italy Banca Comm Ital (1972)	665.02	674.52	680.6	699.03 18/2/94	446.33 6/1/93	
MIB General (4/1/94)	1057.0	1077.0	1089.0	1102.00 18/2/94	944.00 10/1/94	
Japan Nikkei 225 (16/5/49)	(c) 20469.45	20592.16	21148.11 13/9/93	16078.71 29/11/93		
Nikkei 300 (1/10/82)	(c) 302.69	303.12	306.84 10/11/93	249.64 29/11/93		
Topix (4/1/68)	(c) 1647.24	1646.53	1698.67 3/9/93	1250.06 25/1/93		
2nd Section (4/1/68)	(c) 2212.10	2221.32	2364.97 7/6/93	1661.72 26/1/93		
Malaysia KLSE Comp.(4/4/86)	954.16	1007.06	1027.20	1314.46 5/1/94	614.28 13/1/93	

Baring Emerg.(7/1/92) 156.02 160.44 162.04 182.72 14/2/94 99.81 4/2/93

** Sat Mar 19: Taiwan Weighted Price 5104.63; Korea Comp Ex 893.99. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEO Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Mar 21 - 2130.50 -9.84

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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TOKYO - MOST ACTIVE STOCKS: Friday, March 18, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honshu Paper	11.5m	825	+55	Toshiba	7.2m	803	-5
Nippon Steel	11.5m	354	-6	Kawasaki Steel	6.4m	375	-3
Hitachi	9.6m	972	+2	Kurabo Inds	5.6m	451	+10
NEC	8.0m	1,110		Nippon Carbon	5.4m	486	+37
Sanyo Electric	7.7m	528	+18	Fujitsu	5.1m	1,080	

4 pm close March 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17⅞	11½	AAR	0.48	2.8	562	180	17⅛	16¾	16⅞	+⅛
28⅞	12¾	A L Labs A	0.16	1.1	38	230	16⅝	16⅛	16⅝	+⅛
67¼	54⅝	AMP	1.68	2.8	22	1523	63¾	63⅜	63⅝	-⅛
72⅛	55½	AMR			30	2829	61⅞	61⅜	61⅝	-¼
5	1¾	ARX			16	50	4⅞	4¾	4¾	
59⅛	29⅞	ASA	2.00	4.5	29	729	45¾	44¼	44¼	-1⅛
38¾	22⅞	AbbotL	0.76	2.7	18	12316	28⅝	28	28⅜	+½
13¾	8¼	AbbtM Pr	0.50	3.7	9	88	13⅞	13⅜	13⅜	-¼
16⅝	8¼	Acptncain			21	118	11½	11½	11½	-¼
80	26½	ACE Ltd	0.40	1.5	4	314	27½	26¾	26¾	-¼
12⅞	10¾	ACM Gvt In	1.09	9.2		228	11⅞	11¾	11⅞	+¼
10⅞	8¾	ACM GvOpp	0.80	9.0		140	9⅛	8¾	8⅞	-⅛
10⅝	8¾	ACM Gvt Sp	0.96	10.1		169	9½	9⅜	9½	+½
12¾	10½	ACM Gvt Se	1.09	10.1		249	10⅞	10¾	10⅞	+⅛
12¼	9⅝	ACM Man	1.69	10.8		145	10	9⅞	9⅞	-⅛
8⅞	6⅝	ACM Managd	0.72	8.5		81	8⅝	8½	8½	-⅛
12⅜	7¼	AcmeCh	0.44	4.0	11	40	9⅝	9⅜	9½	-⅛
11⅞	6⅞	Acme Elect			33	64	8	7⅝	7¾	-¼
28¼	18⅞	Acordia	0.60	2.2	13	188	27⅞	27½	27½	-½
9¾	6⅛	Actava x	0.35	5.4	2	365	6¾	6⅝	6⅝	-⅛
18	10⅞	Acuson			98	172	13	12⅝	12¾	-⅜
21¾	17⅛	Adams Expr	0.30	2.0	0	58	17⅞	17⅝	17¾	+⅛
68¼	45½	Adv Micro	3.00	4.8		395	62⅝	60¾	62⅜	+1⅝
32¼	16¾	AdvMic	3.00	0.7	13	17611	30⅞	29½	30⅞	+1⅛
8⅞	5½	Advest Grp	0.16	2.5	10	54	6⅜	6⅛	6⅜	-⅛
24¾	14¼	Advo Inc	8.10	0.5	125	3406	18¾	18⅜	18¾	-½
50½	41⅛	Aegon ADR	1.23	2.4	11	14	50⅝	50⅜	50½	-¼
68¼	43⅞	AetnaL	2.76	4.8	18	1259	57⅛	56¾	57⅜	-⅛
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NYSE COMPOSITE PRICES

4 pm close March 21

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Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1993. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close March 21

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Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pet HB&P x	1.84	51	2	27¼	27¼	27¼	-¼
PbB LD x	0.23	16	1913	61⅞	60½	61⅜	-3¾
Pittway A x	0.50	18	31	34⅜	34⅜	34⅜	-¼
Ply Gem	0.12	33	712	25⅜	24½	25¼	-⅜
PMC	0.90	17	33	15¼	15¼	15¼	-⅛
PrestdioA	0.10	1	680	1	1	1⅞	
RaganBrad		30	2	28	27½	28	
RB&W Cp		3	40	6⅛	6⅛	6⅛	+⅛
RiedelEnv		4	24	2⅝	2	2⅝	+⅛
SJW Corp	2.10	10	6	39⅜	39	39	-½
SthnUnion		21	6	23⅜	23⅛	23⅛	
Stan El	0.84	15	302	13¾	13½	13¾	
Sonat		0	10	8⅝	8½	8½	-¼
TII Ind		27	353	u4	4½	4⅝	+⅛
Tab Prods	0.20	98	27	10¾	10½	10¾	-⅛
Tel&Data x	0.50	63	489	43½	42¼	42⅞	-⅝
Thermedics		67	844	14¾	14⅜	14¾	+¼
Thermoine		34	91	32½	32⅜	32⅜	-⅛
TotPNA	0.20	25	1006	x18	17⅝	18	+½
TownCntry		1	328	3⅛	2	3	+
Triton		11	400	1	1	1	
Tubos Mex		19	108	5½	5⅜	5⅜	-⅜
TurnrBrA	0.07	61	62	22	21⅞	22	-⅛
TurnrBrB	0.07	239	439	22¼	22	22	-¼

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NASDAQ NATIONAL MARKET

4 pm close March 21

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AMERICA

Dow hurt by concerns over monetary policy

Wall Street

US stocks fell sharply yesterday morning amid heightened international tensions and nagging concerns over monetary policy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 31.66 lower at 3,863.99, surrendering all of the gains it notched up in the previous session's expiration-related rally. The more broadly based Standard & Poor's 500 was down 3.53 at 467.53. In the secondary markets, the American SE composite was off 3.12 at 469.84, while the Nasdaq composite, after setting two consecutive record highs, fell 5.83 to 798.10.

Volume on the NYSE was light, with 146m shares traded by 1 pm.

The optimistic note on which trading ended last week proved to be fleeting.

A primary concern was the failure of the bond market to staunch its losses after a sharp sell-off in the final trading day of last week. Today's meeting of the Federal Reserve's policy-making arm, the Federal Open Market Committee, was weighing heavily on bond prices, which dropped sharply across the yield curve amid anticipation of an imminent move by the Fed to nudge up short-term interest rates for a second time in as many months.

Political tensions were exacerbating the market's monetary jitters. Threats by the US to take steps to punish North Korea for its refusal to permit UN nuclear inspections accelerated a downward push in stocks that normally following big Friday advances.

Chevron sagged $1⅞ to $90⅞, Disney shed $1 to $46, International Paper dropped $1⅞ to $68⅞ and 3M lost $1¼ to $102.

In banking, Baltimore Bancorp jumped $1¼ to $19¼ after First Fidelity offered to buy the group for $346m, or $20⅞ a share. First Fidelity slipped $½ to $45.

Cadence Design Systems was up $1¼ to $15⅞ in heavy trading of 900,000 shares. The stock benefited from an upgrading by Mr Gregory Gould, an analyst at Goldman Sachs in New York, who raised his earnings estimates on the software company. Elsewhere in the computer sector, IBM, $1 ahead at $58¼, was the only Dow component showing a solid gain.

In insurance, 20th Century receded $1⅞ to $20⅞ on the announcement by the company that it was more than doubling its estimate of losses related to the Los Angeles earthquake to $3.25bn.

Brazil

Equities in São Paulo were off 4.3 per cent at midsession following an unexpected rise in the benchmark overnight interest rate from 54 to 56.5 per cent.

The Bovespa index was down 640 at 12,678.

Among stocks Telebras was off 5.5 per cent and Vale do Rio Doce, the mining group, 4.8 per cent.

Elsewhere Eletrobras was down 5.8 per cent and Petrobras 9.7 per cent.

Canada

Toronto was influenced by fears of US tightening. The TSE 300 composite index lost 39.99 to 4,526.67 at midday in turnover of C$376m.

Declining issues pounded past declines 378 to 259, with 286 issues unchanged.

EUROPE

Continent awaits news from the US

Continental Europe spent the day worrying about a possible rise today in US interest rates, *writes Our Markets Staff.*

Goldman Sachs yesterday trimmed its exposure to Europe but said that it maintained an overweight position, "because short-term rates should fall by more than elsewhere (and by more than money market futures imply) and retail inflows into equities are running at healthy levels".

More specifically, Goldman's upgraded Finland, based on good recent earnings announcements, and reduced the weighting of France slightly, "given that any decoupling from the Bundesbank seems unlikely for several months, and the risks of social discontent are rising".

FRANKFURT fell in line with weakness in the bund market, the DAX index closing off 24.33 or 1 per cent at 2,131.28. Turnover was relatively light at DM7.6bn.

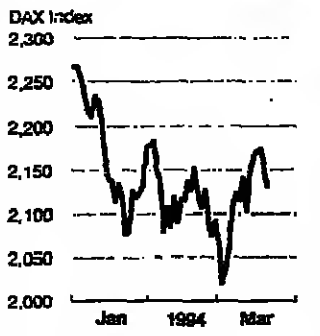
The market remained cautious with few participants prepared to come in ahead of today's expected news from the US.

Corporate news was highlighted by Hypo Bank, which resisted steeper declines seen elsewhere to end the session off DM2.50 at DM467.50. The bank said that it would lift its 1993 dividend by DM1.50 to DM14.50 after reporting an increase of 33 per cent in group operating profit.

Porsche, down DM15 at DM895, held few surprises as it reported 6 month figures, with most of the news having already been discounted.

PARIS picked up a little of the day's losses in the last moments of trading. The CAC-40 index, which had seen a session low of 2,193.81, ended the session off 18.65 or 0.8 per cent at 2,202.69. Turnover was slack at around FFr3bn.

Germany



Source: FT Graphite

FT-SE Actuaries Share Indices

Mar 21							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1437.87	1438.97	1438.69	1440.08	1440.14	1438.33	1437.31	1436.71
FT-SE Eurotrack 200	1478.94	1481.30	1480.83	1481.62	1482.06	1480.73	1480.50	1479.54

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
FT-SE Eurotrack 100	1445.51	1461.88	1466.28	1469.35	1456.50
FT-SE Eurotrack 200	1485.49	1503.38	1504.22	1513.24	1495.08

Base value 1000 (26/10/90); High/day: 100 - 1440.80; 200 - 1482.88 Low/day: 100 - 1436.42 200 - 1478.58

After the market closed Mr Edmond Alphandery, the finance minister, was reported on wire services as saying that there was still room for further interest rate cuts in Europe.

General activity was moderate with UAP rising against the trend, adding 90 centimes to FFr189.90, ahead of results due out after the close. The insurer reported a rise in net attributable profit to FFr1.5bn from FFr1bn.

St Gobain, down FFr16 at FFr672, was affected, said dealers, by arbitrage between the shares and warrants as the subscription period for the rights issue closed.

MILAN was unsettled by interest rates and next weekend's general election and the Comit index fell 9.51 or 1.4 per cent to 665.02.

CS First Boston recommended taking profits on the basis of the market's outperformance during the last two months when the Comit index rose by more than 9 per cent; the fact that the Italian bond market had fallen more than other European bond markets while the equity market had outperformed, implying that relative valuations had deteriorated; and a possible consolidation after the general election.

Merrill Lynch commented that political uncertainty compounded the problems of a market that appeared to be among the most expensive in Europe on the basis of earnings prospects.

The investment bank added that liquidity might push the market still higher but it believed the situation was too risky to take an aggressive position until the policies of the next government were clearer.

Italcable fell L475 or 4.4 per cent to L10,265 as investors demonstrated their disappointment with the weekend deal to merge five telephone operating companies into a single Telecom Italia.

Sip slipped L18 to L4,351 after its announcement of a 42.8 per cent rise in 1993 net profit, while Stet, the holding company, eased L15 to L4,877.

Cogefar fell L93 or 4.9 per cent to L1,799 in arbitrage trade linked to the rights issue.

ZURICH was lower, in line with other bourses and bond markets elsewhere in Europe, and the SMI index fell 39.2 to 2,904.3.

Interest rate sensitive issues were the hardest hit with UBS bearers losing SFr31 or 2.5 per cent to SFr1,195. Recently favoured cyclicals were resilient with Alusuisse adding SFr7 to SFr654.

WARSAW plunged 8.8 per cent as as small investors, losing their patience with the recent stagnant market, rushed to unload shares. The all-share Wig index fell 1,777.1 to 18,414.2, but volume was a thin 969,000 shares.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Hang Seng and KLSE lead decline in the region

In spite of Japan's absence, closed for the spring equinox holiday, the region's markets were very active. Hong Kong continued to fall, and most anlsysts expect it to fall further before finding a new support level.

HONG KONG succumbed to heavy institutional selling triggered a wave of sell orders by local investors.

The Hang Seng index tumbled 5.1 per cent, or 465.28 to 8,667.03, having hit a low of 8,658. Turnover was HK$6.2bn.

Brokers commented that most of the sell orders initially came from Europe, before accelerating as local investors added their orders.

Blue chips lost across the board: HSBC Holdings fell HK$5 to HK$87.50, and Sun Hung Kai Properties HK$3 to HK$50.

KUALA LUMPUR took a 5 per cent tumble as US funds withdrew, *writes Kieran Cooke.* The composite index lost 52.88 to 954.18.

The market dropped below the 1,000 level for the first time since early December. Brokers said that there was heavy selling of blue chip stocks with foreign fund managers poised to move funds either back to the US or into Japan.

"At the moment it's more a retreat than a stampede," said one broker.

Individual buyers have been driving the market up in recent months but retail buyers have been concentrating on highly speculative second board stocks.

Some local economic indicators are also thought to have contributed to market nervousness: while Malaysia's gross domestic product seems likely to grow by more than 8 per cent this year, there is concern that moves by Bank Negara, the central bank, to control inflation are not working.

SINGAPORE, struck by redemption selling, suffered one of its biggest one-day falls this year.

At its lowest point on Monday, the 30-share index was down nearly 3.5 percent, or 72.83 points. The Straits Times Industrial index gathered some ground on late bargain hunting to end off 67.72 or 3.2 per cent at 2,306.30.

SEOUL had worries of its own as tensions continued to increase with North Korea. The composite index shed 8.34 to 885.65. Investors shrugged off the news that South Korea will allow foreign investors to buy some convertible bonds from June. Turnover was Won620bn.

TAIWAN alone among the south-east Asian markets showed a rise on the day, helped by news that the SEC had approved the stock dividends by the Big Three banks.

But sentiment remained nervous and China Steel closed below its public offer price for the first time.

The weighted index rose 26.10 at 5,220.73, off an intraday high of 5,243. Turnover was T$30.4bn. China Steel lost 20 cents at T$21.60, below the T$21.71 price for its current public offer of 288m shares, which closes on Tuesday.

MANILA was upset by the fall in Philippina Long Distance Telephone in New York on Friday. The composite index lost 59.41 to 2,598.57, with turnover down to 346.8m pesos.

PLDT fell 55 pesos or nearly 3 per cent to 1,820 pesos while Philippine National Bank was down 30 pesos at 515 pesos.

The Philippines' two stock markets will be merged tomorrow with a single price and quote for all 200 issues.

AUSTRALIA tumbled sharply at the close with many investors absent. The All Ordinaries index lost 23.0 to 2,140.5, but off its day's low of 2,136.6. Turnover was A$415.9m.

BHP was down 16 cents to A$17.14 in turnover of 3.9m shares ahead of its quarterly results. News Corp fell 17 cents to A$9.38 while Fosters Brewing, which saw 6.87m shares traded, lost 4 cents to A$1.21.

NEW ZEALAND shed 1.65 per cent in line with the trend set elsewhere in the region. The NZSE-40 capital index fell 37.83 to 2,255.34 at the close. Brierley Investments, which last week said it would make a NZ$175m profit from the sale of part of its Carter Holt stake, slipped 1 cent to NZ$1.37.

BANGKOK ended 3.4 per cent lower, but managed to retain to retain the 1,200 level.

The SET index lost 42.72 to 1,204.12 in turnover of Bt5.3bn.

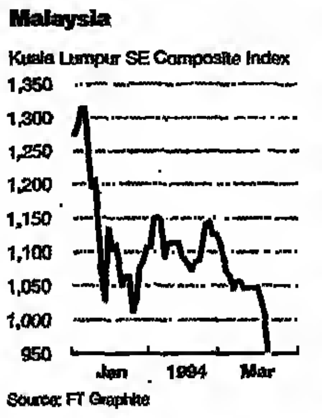
Issues fell across the board although banks found some support.

KARACHI finished at a record high with the KSE 100 share index rising 7.76 to 2,653.64, helped by a rush of late buying. **BOMBAY** was little changed on the day as investors continued to await developments regarding a ban on carry forward trade. The BSE 30-share index closed up 4.41 at 3,806.27.

Hong Kong

Source: FT Graphite

Malaysia



Source: FT Graphite

Hong Kong in retreat

By Michael Morgan

Hong Kong was in retreat last week as a combination of economic and political developments at home and abroad conspired against it.

The fall-out was felt elsewhere in south-east Asia as Singapore and Malaysia also registered sharp declines. Japan, on the other hand, pulled ahead as foreign investors, particularly in the US, rebuilt their holdings.

Mr Michael Franklin at James Capel comments that much of Hong Kong's recent decline is the result of US selling of futures, and arbitrage activity. Europeans remained sellers, but on a much smaller scale, while Japanese investors were largely absent ahead of their fiscal year end.

He says technical assessment suggests that if the Hang Seng index is not able to consolidate around the current 8,700 level, then the next obvious support would be around 7,700.

The latest James Capel global strategy note says there are six major concerns facing the market: rising US interest rates; the risk of a hard landing for the Chinese economy; succession uncertainty in the event of the death of the Chinese leader, Deng Xiaoping; whether the Hong Kong property market is overvalued; the outlook for Sino-British relations; and the renewal of MFN status for China. The broker takes the view that the correction has been overdone and many of the concerns have been overstated.

Goldman Sachs notes that the positive sentiment seen in Hong Kong during the early part of tha year abruptly reversed with the unexpected 25 basis point increase in short term US interest rates on February 6, and a public appearance by the Chinese leader in the following week. "Deng's marked deterioration in health gave investors cause for concern and provoked uncertainty over the political outlook for China."

Goldman Sachs adds that these two factors have taken much of the heat out of the Hong Kong market and have, together with a general decline in sentiment towards equity markets worldwide, contributed to the 14 per cent decline in the Hang Seng index over the last month.

Looking forward, the investment bank believes that fundamentals will be the main feature and that sentiment is unlikely to rebound in the near term, with further weakness predicted. "Our longer term outlook is more positive as Hong Kong remains the key gateway to China."

Mr Alan Livsey at Kleinwort Benson comments that Japanese share prices continue to climb as a result of foreign buying, particularly from the US. "Though technical indicators suggest the 1994 rally needs a short rest before the major indices can soar above last year's peaks, the pressure to increase weightings in Japan increases week by week."

In Europe, Germany put in the strongest performance as a 6 basis point cut in the repo rate was well received, but the Bundesbank council left official rates unchanged.

Morgan Stanley comments that while a cut in the discount rate was not expected, some market participants were hoping to see a cut in the Lombard rate or, more importantly, a more aggressive easing through a fixed repo rate for this week. "Nevertheless, we maintain our optimism on European markets where Buba easing is holding the key."

SOUTH AFRICA

Gold shares posted steady gains on the back of continued bullion strength, the index rising 35 to 2,080 but a lack of demand left industrials 30 lower at 6,110 and the overall index fell 4 to 5,230. Iscor fell 10 cents to R3.45.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+0.67	+0.53	+33.17	+42.60	+37.70	+35.41
Belgium	+0.07	-1.01	+17.98	+33.55	+29.22	+27.08
Denmark	-0.68	-3.87	+38.40	+50.90	+44.84	+42.42
Finland	-0.20	-2.16	+85.28	+125.08	+116.03	+112.46
France	+1.77	-1.46	+17.61	+26.48	+23.00	+20.95
Germany	+2.26	-0.26	+23.92	+37.31	+33.34	+31.11
Ireland	+0.67	-3.01	+34.50	+59.32	+42.76	+40.37
Italy	+0.28	-2.67	+37.71	+57.42	+40.57	+38.24
Netherlands	-0.02	-3.32	+24.02	+38.07	+33.93	+31.69
Norway	+2.59	-0.63	+38.13	+55.87	+49.05	+46.56
Spain	+0.75	-3.31	+36.70	+52.10	+27.21	+25.08
Sweden	-0.59	-4.44	+36.77	+46.40	+33.68	+31.44
Switzerland	+0.17	-5.18	+33.66	+39.87	+44.66	+42.24
UK	+0.71	-4.49	+13.62	+16.16	+16.16	+14.22
EUROPE	+0.86	-3.21	+21.55	+29.37	+26.34	+24.23
Australia	+0.57	-2.21	+24.70	+34.61	+41.80	+39.43
Hong Kong	-7.54	-14.58	+54.02	+68.44	+71.58	+68.71
Japan	+1.61	+5.50	+16.61	+25.74	+50.58	+48.08
Malaysia	-4.08	-7.14	+77.35	+87.56	+83.39	+80.33
New Zealand	+4.61	+0.29	+43.21	+50.03	+70.00	+67.15
Singapore	-4.02	-11.31	+34.75	+39.39	+46.81	+44.37
Canada	+3.03	+4.98	+22.65	+29.19	+22.05	+20.02
USA	+1.08	+0.61	+4.01	+7.67	+9.50	+7.67
Mexico	-3.77	-13.29	+42.77	+33.64	+28.10	+25.97
South Africa	+1.66	+7.24	+58.79	+70.21	+83.66	+80.81
WORLD INDEX	+0.92	+0.52	+14.12	+20.49	+27.06	+24.94

† Based on March 18th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and NatWest Securities Limited.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 18 1994								THURSDAY MARCH 17 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	174.45	-0.1	173.73	116.93	153.83	162.88	-0.1	3.33	174.69	172.95	116.72	152.58	163.07	189.15	130.18	140.24
Austria (17)	189.79	-1.6	189.00	127.21	167.35	187.40	-0.5	0.93	192.92	190.99	128.89	168.49	188.24	196.41	139.63	145.78
Belgium (42)	169.28	-1.4	168.58	113.48	149.26	145.89	-0.4	3.84	171.86	168.96	114.71	149.96	146.54	171.89	141.92	147.26
Canada (107)	138.79	0.6	138.21	93.02	122.38	137.55	0.9	2.44	137.60	136.23	91.93	120.16	136.31	145.31	121.46	124.20
Denmark (32)	265.08	-1.9	263.98	177.67	233.73	239.69	-0.8	0.87	270.07	267.38	180.44	235.86	241.79	275.79	195.86	200.06
Finland (22)	147.89	-1.5	147.27	99.12	130.40	171.98	-0.5	0.85	150.16	148.67	100.33	131.15	172.87	156.72	73.12	73.58
France (99)	178.01	-1.9	177.27	119.31	156.96	161.33	-1.0	2.85	181.44	179.63	121.22	158.47	162.94	185.37	149.60	155.04
Germany (59)	136.41	-1.4	135.85	91.43	120.28	120.28	-0.5	1.72	138.38	137.01	92.46	120.86	120.86	142.38	107.59	112.87
Hong Kong (56)	373.80	-3.8	372.25	250.56	329.61	370.93	-3.8	2.86	388.55	384.68	259.60	339.37	385.45	506.56	242.57	242.59
Ireland (14)	190.60	-1.0	189.81	127.75	168.07	187.81	-0.1	3.18	192.54	190.62	128.64	168.17	188.07	209.33	145.48	145.48
Italy (68)	75.85	-3.1	75.53	50.84	66.88	95.05	-2.1	1.77	78.30	77.52	52.32	68.39	97.05	78.93	56.21	57.85
Japan (469)	155.51	-0.4	154.87	104.23	137.13	104.23	-0.1	0.79	156.21	154.65	104.36	136.44	104.36	165.91	119.90	120.96
Malaysia (89)	471.49	-2.1	469.54	316.03	415.75	494.00	-2.0	1.54	481.85	477.07	321.94	420.67	504.16	621.65	276.49	278.21
Mexico (18)	2075.85	0.5	2067.24	1391.35	1830.38	7512.45	0.8	0.87	2064.74	2044.17	1379.48	1803.36	7449.70	2647.08	1431.17	1544.05
Netherland (26)	199.38	-2.3	198.56	133.64	175.81	173.54	-1.3	3.16	204.00	201.97	136.29	178.18	175.75	207.43	163.30	164.91
New Zealand (14)	71.69	0.0	71.40	48.05	63.22	66.48	0.3	3.50	71.70	70.98	47.90	62.62	66.29	77.59	45.45	46.74
Norway (23)	201.83	-1.5	200.99	135.28	177.96	201.54	-0.6	1.63	204.96	202.89	136.92	178.99	202.72	206.42	150.61	153.03
Singapore (45)	308.02	-2.3	306.75	206.46	271.61	224.84	-2.2	1.74	315.29	312.16	210.65	275.39	229.82	378.92	217.80	220.10
South Africa (60)	267.78	0.7	266.67	179.48	236.12	267.48	1.0	2.30	266.00	263.35	177.71	232.32	264.82	280.26	161.99	165.74
Spain (42)	145.86	-1.6	145.26	97.79	128.61	153.93	-0.9	3.75	148.58	147.10	99.27	129.77	155.39	155.79	116.33	125.69
Sweden (36)	217.62	-1.8	216.72	145.86	191.89	253.77	-1.0	1.48	221.48	219.28	147.98	193.45	256.26	230.02	154.79	160.79
Switzerland (49)	160.74	-2.2	160.08	107.74	141.74	143.60	-1.3	1.57	164.29	162.65	109.77	143.49	145.54	176.56	112.94	113.98
United Kingdom (215)	196.87	-1.6	196.06	131.96	173.60	196.06	-1.0	3.73	200.12	198.13	133.70	174.79	198.13	214.96	170.01	171.88
USA (518)	191.76	0.1	190.98	128.53	169.08	191.76	0.1	2.76	191.90	189.66	128.01	167.34	191.60	196.04	179.91	184.38
EUROPE (745)	168.97	-1.8	168.27	113.25	148.99	161.52	-1.0	2.83	172.08	170.37	114.97	150.30	163.18	178.56	139.56	140.37
Nordic (113)	210.84	-1.7	209.97	141.32	185.91	214.96	-0.8	1.29	214.53	212.39	143.33	187.37	216.82	220.60	145.85	149.93
Pacific Basin (722)	163.84	-0.7	163.18	109.61	144.47	114.22	-0.4	1.06	164.96	163.35	110.23	144.11	114.70	168.80	124.58	125.61
Euro-Pacific (1467)	165.82	-1.2	165.13	111.14	146.21	132.81	-0.7	1.81	167.79	166.12	112.10	146.55	133.71	170.78	130.91	131.47
North America (625)	188.46	0.1	187.68	126.32	166.18	187.98	0.1	2.74	188.24	186.37	125.77	164.41	187.79	192.73	173.70	180.64
Europe Ex. UK (530)	150.40	-1.8	149.78	100.91	132.62	140.65	-1.0	2.29	153.35	151.82	102.46	133.94	142.07	156.73	120.47	121.07
Pacific Ex. Japan (253)	245.72	-2.1	244.71	164.70	216.67	225.59	-2.1	2.71	251.11	248.61	167.77	219.32	230.37	298.21	169.48	170.21
World Ex. US (1652)	167.31	-1.1	166.61	112.14	147.52	136.16	-0.6	1.82	169.11	167.42	112.98	147.70	136.96	172.51	132.02	132.44
World Ex. UK (1955)	172.24	-0.6	171.53	115.45	151.88	149.35	-0.3	2.00	173.18	171.46	115.71	151.27	149.75	175.56	145.88	146.76
World Ex. So. Af. (2110)	173.86	-0.7	173.14	116.53	153.30	152.63	-0.4	2.16	175.02	173.28	116.93	152.86	153.18	178.56	148.09	148.95
World Ex. Japan (1701)	186.42	-0.7	185.65	124.96	164.38	182.23	-0.4	2.74	187.80	185.63	125.47	164.03	183.02	195.20	164.42	165.25
The World Index (2170)	174.42	-0.7	173.70	116.91	153.79	153.53	-0.3	2.18	175.56	173.81	117.29	153.34	154.05	178.87	148.14	148.95

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Constituent change with effect 22/3/94: Deletion: Matra-Hachette (France). Name change (21/3/94): Imcera to Mallinckrodt Group (USA). Latest prices were unavailable for this edition.

■ WHERE TO GO AND WHAT TO SEE

Natural beauty is main attraction

The locals love their island and this clearly shows in its cleanliness and the cherished appearance of homes and gardens. The pace is slow and people make time to talk

The problem facing the visitor to Jersey is not what to do, but what to miss out. The island is small enough for easy and leisurely exploring, while surprisingly full of places of interest and activities to suit most tastes.

Undoubtedly Jersey's main attraction is its natural beauty. Packed into 45 square miles – 63 square miles at very low tide – are long sandy beaches, cliff-bound little coves, small fishing harbours, hedgerows and fields full of wild flowers, small farm fields with neat rows of vegetables or a few Jersey cows, and winding country lanes shaded by trees.

Jersey is often referred to as the floral island and its climate ensures a constant and wide variety of plant life. The locals love their island and this clearly shows in its cleanliness and the cherished appearance of homes and gardens. The pace is slow and people make time to talk.

Tucked away in St. Mary is La Mare Vineyards, with 5¼ acres of vines. The warm granite buildings date in part back to the 1600s and visitors can sample produce at a wine-tasting and enjoy home-made food in the Buttery.

Wines and cider are on sale at the vineyard as well as a mouth-watering selection of mustards and preserves, all home made. This year's addition to the range is "Jersey Lightning" – a potent spirit distilled from cider in a copper pot-still, not unlike Calvados.

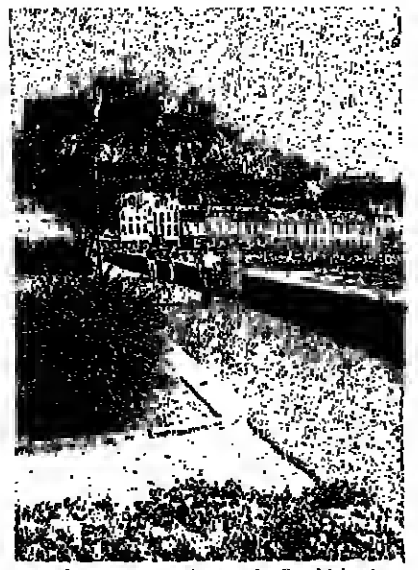
A different type of distilling goes on at Jersey Lavender Farm in St. Brelade. Seven acres of lavender fields are harvested to obtain essential oil used in the farm's selection of cosmetic products. Visitors can walk around the lavender and herb fields and watch the distilling and bottling process.

About 55 varieties of lavender are grown here, which comprise one of the national collections of plants approved by the National Council for the Conservation of Plants and Gardens. A range of products are on sale and Jersey cream teas are served in these fragrant surroundings.

Herb enthusiasts will want to visit Samares Manor in St. Clement. It has one of the largest herb gardens in Britain, with more than 100 varieties planted out. Talks on herbs are given in the garden most afternoons and potted herbs can be bought at the shop. Samares also has other well-designed gardens to wander round, including a water garden and a Japanese garden.

Carnations are grown commercially in Jersey and a visit to Jersey Flower Centre at Retreat Farm, St. Lawrence, will allow the visitor a view of the whole production cycle, up to packaging and posting of mail order bunches. This is the largest carnation-growing nursery in Britain and its mail order section, Flying Flowers, was recently listed on the stock exchange.

Animal lovers will find that Jersey Zoo is a unique centre for breeding rare and endangered species of animals in captivity. Founded in 1963 by author Gerald Durrell, the zoo is now home to such animals as aye-ayes, lemurs and giant jumping rats. Visitors always enjoy the families of orang-utans and lowland gorillas, one of which achieved world fame by his protection of a young visitor who fell into the enclosure.


Jersey is often referred to as the floral island

Visitors interested in the island's history do best to start at the award-winning Jersey Museum in St. Helier. The museum's audio-visual presentation and exhibitions act as a gateway to further explorations. There are sites, monuments and castles to visit dating from prehistoric time through to modern history.

The German occupation of Jersey during the last war is well illustrated at several sites, but probably most prominently at the German Underground Hospital in St. Lawrence. Regarded as the most ambitious engineering feat of the occupation, it now vividly brings to life the experiences of thousands of islanders at that time.

Jersey offers a wide choice of accommodation and the authorities ensure standards are kept up. Prices per night range from £13 for accommodation only in a small guest-house, to £300 for a suite in a five-sun (the Jersey official rating) hotel.

For visitors wanting to be in St. Helier, the Pomme d'Or on the waterfront offers excellent three-sun facilities – 147 bedrooms, two restaurants, a coffee shop, a pub and easy access to both harbour and town centre.

Longueville Manor, just outside St. Helier, is the island's only five-sun hotel, named Egon Ronay hotel of the year in 1991. Prices for a room per night range from £110 for a single to £300 for a suite.

Country lovers will appreciate the four-sun Chateau La Chaire in the Rozel Valley. Oak panelling, antique furniture, more than eight acres of grounds and a cuisine renowned throughout the island combine to give the guest an experience not dissimilar to that of staying in a really comfortable country house. Prices range from about £50 to £180 per night, depending on accommodation and time of year.

The standard of cuisine generally throughout the island is high, with seafood a speciality in many restaurants. A favourite with both visitors and locals is the Dolphin (also a two-sun hotel) on the edge of the little fishing harbour of Gorey, beneath the dramatic Mont Orgueil Castle. From about £20 per head for a full meal, the delights of Jersey seafood can be enjoyed in very appropriate surroundings.

Sue Stuart

FINANCIAL TIMES SURVEY

Jersey

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■ CONTENTS

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■ INTRODUCTION

Jersey is putting behind it the awkward period at the end of the 1980s when the economy overheated and curbs had to be placed on business expansion, writes ***Barry Riley***

Yes, they *do* have some bananas in Jersey. At least, the UK-listed fruit group, Geest, last year set up its worldwide trading headquarters in the island, one of the first substantial companies to take advantage of new rules for so-called international business companies.

Besides soliciting global traders, Jersey has also begun to promote a nascent offshore insurance industry and once again is more actively marketing itself to international banks, more than 70 of which are already represented. The offshore funds industry, meanwhile, has been expanding strongly during the recent bullish phase for global securities markets.

Jersey is thus putting well behind it the awkward period at the end of the 1980s when the economy overheated and curbs had to be placed on business expansion, especially through employment restrictions under the Control of Undertakings law.

The island earned a reputation for being closed for new business. That was never entirely true, but the limited resources of the labour and property markets had to be focused on the established banking, funds and trusts sectors and the finance indus

Continued on Page 3

■ FOREIGN LABOUR

Portuguese have settled in

Jersey has adjusted to accommodate the immigrants. The police voluntarily take language lessons

Few visitors to Jersey fail to be charmed by the helpful and willing service provided in hotels by Portuguese staff. Jersey's hoteliers and farmers depend on Portuguese employees, renowned throughout the island for their hard work and cheerfulness.

An estimated 6,000 foreign nationals work in Jersey and nearly all are Portuguese. The latest figures available are for 1991 – before Portuguese nationals no longer needed permits from the island's immigration authority. The figures show that of 5,980 foreign nationals in Jersey, some 5,842 were Portuguese. The authorities believe the numbers to be similar today.

The figures show that 3,122 worked in hotels; 1,954 on farms and the other 766 in miscellaneous jobs. Mr. Martyn Furzer, chief inspector of immigration in Jersey, said 95 per cent of the island's Portuguese workers came from Madeira. "They work very hard and are extremely law abiding. There is very little racial tension or prejudice against them in the island," he said.

Immigrant labour in Jersey used to be mainly Bretons working on the farms in peak periods. In the early 1970s, they began to be replaced by Madeirans.

One Madeiran barman said he had been going to work in Jersey for more than 20 years and was now there almost full time. He recalled that in the 1970s his countrymen came for two to three months each year to work the harvest. They worked in the fields from sun up to sun down, seven days a week, and many were able to make enough money to set up a little business or buy a home back in Madeira.

Another Madeiran, now working full time in Jersey, said the only problem over the years had been accommodation. He explained that it was sometimes of very low standard. The fear of losing the workforce in 1992 produced considerable improvements in living conditions, but he said some employers still expected their Madeiran workers to live in very substandard accommodation.

If this continued, these employers were likely to have difficulty getting staff in the future, he said.

Mr. Renzo Martin, president of Jersey's hoteliers' association, said that if hoteliers provided a good environment they had no staff problems. "They have a contract of employment – usually seasonal – which can be extended if required. Most hotel staff are repeat staff every year. But if we need new staff this is usually done through word of mouth: an existing employee will have a relative or friend who wants to come," he said.

The island has adjusted to accommodate such a large number of immigrants. Jersey police voluntarily take language lessons in Portuguese and many information leaflets are also published in that language.

Before 1992, permits were only granted to a single individual. With today's freedom of access, many Portuguese have taken their families to Jersey.

Sue Stuart

Hard worker: Raza Marie De Sevia from Madeira

■ USEFUL CONTACTS

Guide for visitors

Some useful contacts in the business and public sectors:

Regulators: Richard Syvret, Financial Services Dept. tel. 79111. **States Greffe (clerk):** Royal Square, St. Helier – tel. 73060. **Income Tax:** Cyril Le Marquand House, St. Helier – tel. 79111. **Customs:** Caledonia Place, St. Helier – tel. 73561. **Immigration:** Conway Street, St. Helier – tel. 21441. **Police HQ:** Rouge Bouillon, St. Helier – tel. 75511. **Telecoms:** Jersey Telecoms – tel. 75846. **Newspaper:** Jersey Evening Post – tel. 73333. **Estate Agents:** Healey & Baker – tel. 71441. Hamptons, Gothard & Trevor – tel. 72617. **Jersey Fund Managers Association:** Richard Wilkinson – tel. 73114. **Jersey Bankers Association:** Julien Bub – tel. 25561. **Institute of Chartered Secretaries and Administrators:** R. D. Ellis – tel. 79500. **Society of Chartered and Certified Accountants:** Nick Cuttiford – tel. 37770. **Institute of Directors:** Ian Thomas – tel. 76214. **Jersey Association of Trust Companies:** Derek Short – tel. 80768. **Jersey Chamber of Commerce:** Brian Le Marquand – tel. 24536.

For details of museums and other attractions, contact:

Tourism Department: St. Helier – tel. 78000. **Jersey Museum:** St. Helier – tel. 30511. **Battle of Flowers Museum:** St. Ouen – tel. 482408. **Shire Horse Farm Museum:** St. Ouen – tel. 482373. **Butterfly Farm:** St. Mary – tel. 481707. **Jersey Potteries:** Gorey – tel. 851119. **Jersey Zoo:** Les Augres Manor – tel. 51949. **National Trust Houses:** tel. 483193. **Jersey Arts Centre:** St. Helier – tel. 73767.

Other useful contacts:

Chemists: Le Quesne, Don Street, St. Helier – tel. 22571. Lloyds, The Parade, St. Helier – tel. 22862. **Opticians:** Specsavers, Bath Street, St. Helier – tel. 26973. **Photographic Equipment:** Newton & Newton, Colomberie, St. Helier – tel. 33697. **Bookshop:** Jura Bookshop, Don Street, St. Helier – tel. 36309. **Philatelic Bureau:** Post Office, Broad Street, St. Helier – tel. 26262.

Please note that to call Jersey numbers from outside the island the code is 0534.

Sue Stuart

■ PLANNING AND CONSTRUCTION

Reclamation projects forge ahead

The second, much larger, waterfront site is thought to be the biggest land reclamation project in Europe. It is anticipated that it will provide 25 to 30 years of tipping capacity

The construction projects most in evidence in Jersey are two large land reclamation sites on St. Helier's waterfront. While the recession has generally slowed construction in the island, these important projects are forging ahead.

Great piles of earth bear witness to the progress of the first site and the States has just granted the go-ahead for the second.

Although they are always referred to as land reclamation sites, they are rubbish tips. The island has insufficient space for a landfill site to take waste not suitable for its incinerator. Instead, long sturdy walls are being built out into the sea adjoining the waterfront, and the enclosed area filled with builders' rubble and other island waste.

No organic waste goes into the infill, but concern is being expressed about the inclusion of fly ash from the incinerator. The site is regularly tested and monitored to check behaviour and seepage of heavy metals and other potentially dangerous components of the fly ash.

Plans are already drawn up for building on the sites once they are full and covered. Mr. Peter Thorne, planning officer, said: "This first site, which is about halfway through its contract period, will provide about 12 acres of land for development. By 1997, we should be ready to do the housing and hotel development on it and to lay out a new marina adjoining it."

He said the authorities were aware of the need for quality. Particular attention will be paid to this in the waterfront scheme in all areas such as design and finishes.

The States has granted permission for a second, much larger site on the waterfront. This one is thought to be the biggest land reclamation project in Europe and it is anticipated it will provide 25 to 30 years of tipping capacity.

Plans are already drawn up for building on the sites once they are full — Picture: Jonathan Turner

Most of the work is going to specialist structural or marine engineering contractors from off the island. The large stones to construct the new sea walls enclosing the sites are shipped from France in barges carrying 4,000 tons a load. But some work is going to local contractors.

Mr. Ian Browne, managing director of Charles Le Quesne building contractors, said his company was building slipways at the site. However he is not generally optimistic about the island's construction industry.

"The 1980s was an extremely buoyant period for everyone in the island and clearly things will never recover to how it was then. But we are hopeful there will be some recovery in a couple of years, once confidence returns to the market place."

He said the recession of the early 1990s, coupled with the States zero job growth policy, hit his industry hard. "The last three to four years it has been a steadily decreasing market. This is not only in work opportunities but also in severely increased competition – there are now more after a piece of a smaller cake."

"Three reasonably substantial companies have gone bust in the past two years, but the situation has been relieved by the States bringing forward its housing schemes in recognition of the decline in private sector work.

"Our fear is that the public sector work will have substantially dried up and, unless there is an upturn in the private sector, a lot of traditional builders will face problems."

Jersey companies resent having to face competition from off-island contractors. Non-local companies have to quote prices 10 per cent lower than their Jersey counterparts to gain contracts. "I don't necessarily believe outsiders offer a better deal. Some have gone bust and left enormous debts with local subcontractors and builders' merchants."

Mr. Browne said there would not be anything very hopeful for the industry until growth returned to the market. "In the meantime we try to be more efficient. We are looking at different types of work so we do not have to rely on the tender market."

Mr. Thorne agreed that the recession was biting the building trade. His department has seen the number of building applications drop to low levels in 1987-88, prior a peak in 1990.

"There is a bit more confidence in terms of applications and we are seeing some speculative development. There is a lot of activity in the housing area. People are going for alterations and extensions to existing homes rather than moving up-market," he said.

Although not everyone has been satisfactorily housed yet, land has been identified for housing, and building is expected to start soon. Two big new schools are also to be built within the next three years.

"There is a new mood in the States towards the island becoming 'greener.' And people are becoming more aware of these issues, which results in more representations against planning applications than we used to get."

Mr. Thorne said this change in attitude had also led to recognition of the need to protect some of the island's buildings.

"We have now identified all buildings we consider worthy of protection and hope to get them designated as the Jersey equivalent of listed buildings."

Sue Stuart

Offshore industry expands strongly

Continued from Page 2

try was unable to develop in other directions. Finally, Jersey ran into the effects of the UK recession, especially on tourism, and 1991 and 1992 saw a rare dip in the island's economy, with gross domestic product falling some 6.5 per cent to £1.29bn over the two years. Meanwhile, the number of people in full-time private sector jobs declined by some 2,500 to 35,800 between June 1991 and June 1993.

A good part of the ensuing unemployment problem was transferred to the UK mainland as perhaps 2,000 transient workers, many of them in construction, returned home.

Although no figures are yet available for 1993, the economy has clearly moved off the bottom. "We certainly saw the improvement coming through in the second half of 1993," says Mr Colin Powell, chief adviser to the States, the island's government, and Jersey's top civil servant. "There is now a much more confident feel."

The island's equivalent of a finance minister is Senator Pierre Horsfall, president of the powerful finance and economics committee. He points out the short-term and long-term reasons why Jersey is now able to seek more vigorous expansion.

"There is now some slack in the economy, and a very high level of skills is available," he says. Just as important, however, is the evidence of sharply-rising productivity in the banking industry, an international rather than just a Jersey phenomenon. "The indications are that the finance industry will employ fewer people over the years," he says.

Offshore finance is now reckoned to generate 50-51 per cent of Jersey's income.

Pierre Horsfall: 'some slack in the economy'

Tourism was last estimated at 26 per cent in 1992, and has probably fallen further. Much of the balance of income represents the investment receipts of wealthy residents.

Prospects for tourism in 1994 are a little better, thanks to the recovery in the mainland economy. Senator Horsfall emphasises that the strategy of the States is to continue to promote tourism: "We want to keep the second pillar strong," he says.

The position of the offshore finance industry, still only about 25 years old, is regarded as secure despite growing competition, but it is now so dominant as a wealth generator that it is recognised that the risks should be prudently spread.

"We've got a few gaps," says Senator Horsfall. "It's now quite clear that at this time some diversification is welcome."

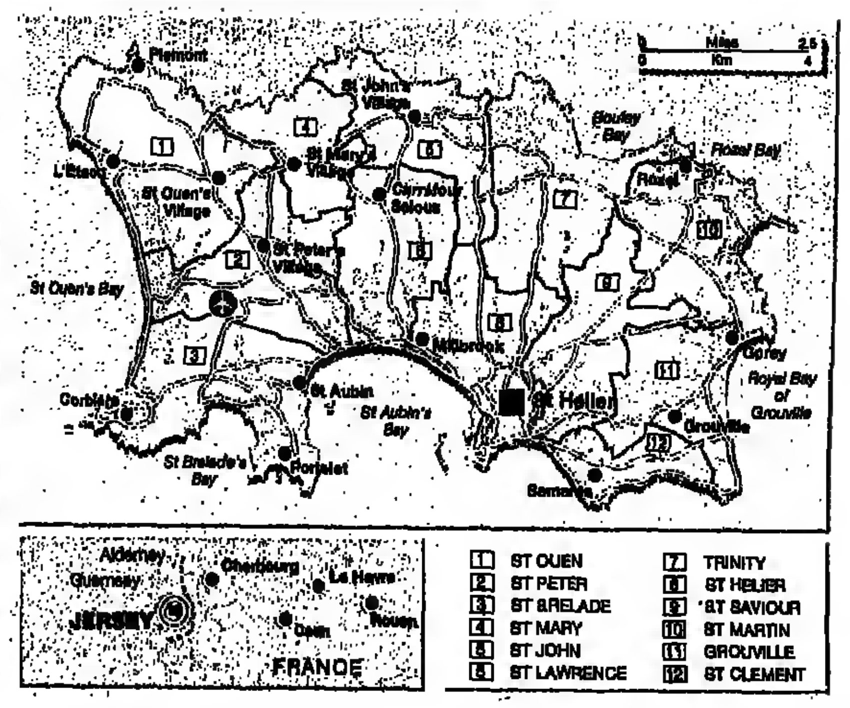
Accordingly, local firms have been given the go-ahead to exploit the insurance law which was introduced in 1983 but which was effectively put on ice for some years because of labour shortages. The first few captive and reinsurance companies (two of each so far) have been set up, and there is a Jersey Captive Insurance Association, but Jersey remains a very long way behind its neighbour Guernsey in the insurance business.

International business companies represent an attempt to move beyond brass plate entities towards corporate HQ units attracted by low local taxes and good communications. Geest has moved from the Bahamas to Jersey partly because of the convenience of a location in the European time zone.

Another current legislative initiative concerns limited partnerships, which are seen as important to attract certain types of investment vehicles to the island.

Meanwhile, the established banking industry is being more vigorously promoted, with Jersey dignitaries undertaking a programme of visits to European centres such as Paris and Frankfurt. Four new banking licences are at present in the final stages of negotiation.

Jersey seeks to promote itself as a clean and well-regulated financial centre. "We are not regarded as a thorn in the side of either the UK or Europe," insists Senator Horsfall. "It can be argued that we are of significant benefit to our neighbours."



■ BANKING

Profits up 15% staff down 5%

The recession has opened the way to a new growth period free of the constraints of labour and property shortages

Jersey is one of the premier offshore banking centres of Europe – still no rival to Switzerland but not so far behind Luxembourg as a private banking centre.

Moreover it is poised to expand again, after a period of consolidation.

Mr Roger Bignall, the banking and insurance regulator, says that four new institutions are in the process of setting up in Jersey, and the year's total could be six. At present, 71 banks are established including nine so-called "managed" banks which have no separate physical presence but operate through other banks or accountancy firms.

Bank deposits actually fell last year from £53.4bn to £52.9bn but this gives a misleading picture of the strength of the industry.

With dollar interest rates so low, and sterling rates falling too, many investors switched into the securities markets.

"There are no unhappy faces. Everyone is happy with the amount of business coming in," says Mr Julian Bub, head of Chase Manhattan's Jersey operation and president of the Jersey Bankers Association.

In recent years, Jersey bankers have focused primarily on the booming market in services to private clients. A survey by Chase Manhattan Private Bank last year concluded that worldwide some $2,100bn is placed "offshore" outside the investor's domicile. Of this, some 6 per cent is in the Channel Islands, with Jersey significantly larger than Guernsey, its neighbouring rival.

Economic overheating in Jersey caused problems in the late 1980s but the recession has opened the way to a new growth period free – at least for the time being – of the constraints of labour and property shortages. Jersey's banking industry has shared in the labour shake-out common to banking throughout Europe but it missed the problems of bad debts which hit banks generally.

Thus in 1992, the latest year for which figures are available, Jersey's banks actually increased their profits by 15 per cent while staff numbers fell by 5 per cent. Consequently the average profit per employee, a key measure tracked by the island's authorities, jumped by a fifth to £116,300.

Productivity has been boosted by technology upgrades and by the shift towards investment funds and securities where margins can be higher and there is more scope to earn fees.

A recent survey of the Channel Islands banking industry by accountants Arthur Andersen found that most banks expected their profits to grow by at least 10 per cent a year over the next few years but the labour force could eventually shrink by up to another 10 per cent from current levels.

Slightly surprisingly, bankers expected more growth from corporate business and institutional investors than from private clients.

Many banks earn a prosperous living around the English-speaking expatriate circuit. "There is more opportunity than we can possibly cope with," says Mr Trevor Falle, marketing director of ANZ Grindlays. "The investment side is stretched at the moment."

There remains the challenge of continental Europe, where tighter harmonisation could play into Jersey's hands.

"We should raise our level of awareness as Offshore Europe," says Mr Peter Williams, managing director of Lazard Brothers. "But with Europe, Jersey's main problem is a language barrier."

Barry Riley

Julian Bub: 'There are no unhappy faces'

■ FUND MANAGEMENT

Growth centre of finance industry

There are now some 760 separate investment pools, many of them tied together under umbrella structures

Collective funds moved to the growth centre of Jersey's finance industry last year, gaining from the big rises in most of the world's securities markets and the parallel loss of appeal of bank deposits.

At the end of December, Jersey-based funds were worth £23.4bn; up 48 per cent in 12 months. Of the total, £19.5bn was accounted for by open-ended funds and the remaining £3.9bn by closed-end vehicles. There are now some 760 separate investment pools, many of them tied together under umbrella structures.

Jersey's funds are largely invested in equities, reflecting a different approach and clientele from that of, say, Luxembourg, which is heavily orientated towards bonds. Just under 30 per cent of Jersey's open-ended fund assets are bonds, with another 7 per cent in money funds. Equity funds are mainly orientated towards Europe and the Far East.

The figures, incidentally, do not cover private funds, including offshore institutional vehicles. These "Cobo" funds, so-called because they are set up only under the control of borrowing law rather than the collective investment funds legislation, could be worth another £10bn, industry experts say, although no statistics are available.

A survey published last month by accountants Coopers & Lybrand showed, unsurprisingly, that members of the Jersey Fund Managers Association are in a buoyant mood. Some 84 per cent recorded higher profits in 1993, and 80 per cent expect more gains in 1994.

The survey suggested that the industry was looking equally to three sources of business – the retail market, institutional investors and private portfolio management. Four geographical client categories were picked out: the UK, UK expatriates, the Far East and the European Union, ranked in that order of importance.

The importance of the UK market exposes the Jersey fund management industry to the consequences of mainland regulatory changes, so local managers are closely watching the proposals for the introduction of open-ended investment companies [oeics] in the UK and accompanying changes such as the introduction of single pricing.

Although oeics already exist in Jersey along with unit trusts, access to the UK market is through designated territory status under Section 87 of the Financial Services Act, a route which at present rules out single pricing.

"An area of concern is whether funds from the designated territories will be required to be equivalent to unit trusts or to the new oeics," says Mr Jonathan Overland, spokesman for the JFMA and a marketing executive at Capital House. There have been talks with the Treasury and the Securities and Investments Board in the UK.

Access to other markets is clearly important to Jersey's future as an offshore centre, and the authorities have been talking to several jurisdictions. So far, Japan, Ireland, Switzerland and the Netherlands have granted at least restricted or fund-by-fund marketing rights.

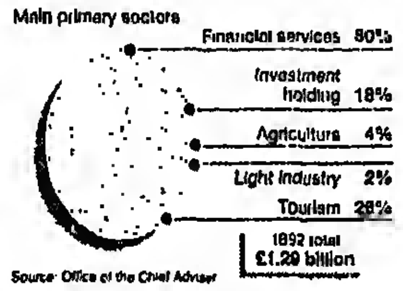
"We are all looking over our shoulders to see what happens on oeics," says Mr Alastair Torvaney, who runs Perpetual's $400m Jersey offshoot.

Mr Torveney thinks individual deals with countries will prove costly and time-consuming, however. In the meantime, he perceives opportunities for third-party administration, for example for institutional funds which do not require day-to-day attention. "All retail funds in Jersey must be looking at this as an add-on," he says.

Barry Riley

GDP

Main primary sectors



Source: Office of the Chief Adviser

■ PROPERTY

Price can be something of a shock

It is hard enough for local residents to find affordable property, with even starter homes selling in the range of £95,000-£110,000

St. Helier housing: the market has been subject to strong government control Picture: Tony Andrews

Fancy a converted farm in secluded parkland for £2.5m? If so, Jersey has a good number of properties on offer. For those with more modest means, accommodation is not so easy.

"The housing market has not performed as in the UK," says Mr Colin Powell, chief adviser to the States of Jersey. "Prices did not fall in Jersey because of the underlying pressure for accommodation. It looks as though prices were pretty flat in 1993." He admits there has been some "downward price adjustment" in some of the middle price-range housing.

Mr Roger Trower, head of Broadland, one of the largest local estate agencies in Jersey, says: "We have not suffered nearly as badly in Jersey as elsewhere."

But he warns of the sometimes excessive expectations of prospective residents. "It is very difficult to compare here with the UK," he says. "If people come from a fairly rural area, they have difficulty coming to terms with it."

In the past, he says Jersey could be compared to outskirts of inner London in price, although certainly not in quality. It is hard enough for local residents to find affordable property, with even starter homes selling in the range of £95,000-£110,000.

Even for wealthy individuals, the price can be something of a shock. Mr Trower says those travelling to Jersey spend a little time on the island deciding whether or not they could live locally and judging the house prices. "They normally want to spend up to £1.5m. When they realise what they get for that they go into a slight panic wobble to say the least."

The housing market has been subject to strong government control. Mr Powell says that until 1970, non-residents were restricted to buying houses above a certain price range. But he said this had the effect of pushing up all prices above this barrier.

As a result, housing regulations were introduced which approached the matter from another direction: by classifying all accommodation so that only certain categories of residents could buy or rent it.

Much of the lower priced property is reserved for locals. J-category or "essential employees" and K-category residents – those granted entry on "economic or social" grounds – are restricted to a relatively small number of generally higher priced property.

At the other end of the scale, "non-qualified" people who are neither local, nor in categories J or K, cannot buy or rent any property, but must instead live in lodging houses regulated by the States housing committee or rent a room in someone's house. As a result, a network of letting agencies has sprung up on the island.

The government is still actively involved in providing accommodation for local residents. It builds some state housing and oversees means-tested rent rebates on these and on the private rental market for those who cannot afford to buy.

It offers first-time buyers access to a loan scheme with low rates of interest on the mortgages based on a sliding scale currently from as low as 3 per cent, which is also dependent on the income of the buyers. "The States have always been very encouraging of home ownership," says Mr Powell.

While Jersey is sensitive about the need to prevent over-development, its current housing plan estimates that about 100 private sector housing units will be built in each of the next four years.

Mr Trower says he has fought the government regularly on housing matters. Until a few years ago, there was price control on houses: regulations stipulated that a house could only be sold for its previous purchase price plus additional amounts for rebuilding, contents and other costs.

If the States disagreed with the price, a panel of quantity surveyors was brought in, creating a protracted process which often frustrated buyers and sellers alike and caused deals to be called off at the last minute. It also led to evasion techniques such as "wheelbarrows sold for £1,500 and sheds for £5,000." He admits that this did prevent prices "galloping away" during the property boom.

To avoid the housing classifications limiting acquisition of properties by non-locals, a number of ingenious techniques were developed. Under the ancient principle of *degrèvement*, a creditor can take over the property of a debtor. By holding the property through a company and then transferring the shares, it falls outside the jurisdiction of the States. This loophole has now been closed.

Mr Trower says there is one other way for those wanting to become Jersey residents. Those with some hotel experience can live in any properties with at least 50 bedrooms. He says there are at least two such properties currently available.

Andrew Jack

■ RESIDENCY

A chance to hop on the fast track

Those lured over the years include John Nettles (star of the Bergerac TV series), Ian Woosnam, Alan Whicker and Victor Matthews

St Helier: residency control was introduced in 1970 *Picture: Glenn Raniv*

Wanted: a handful of prominent individuals to move to Jersey each year to help swell tax revenues and contribute to the community. Apply with detailed CV and expect a rigorous interview. Those with a criminal record, or who are not famous or have assets below £10m need not bother to apply.

For the lucky few with honestly-earned fame or fortune behind them, Jersey offers a chance to hop on the fast track and circumvent its ferocious residency regulations to gain access to life in a low tax haven.

Residency control was introduced in 1970, with locals classified in categories A to H, and outsiders granted permission to live locally on economic or social grounds as category K. This entitles them to buy or rent high-priced accommodation that has been classified for K residents.

Those lured over the years include Harry Patterson (better known as author Jack Higgins), John Nettles (star of the TV detective series *Bergerac* which is based in Jersey), Alan Whicker, Ian Woosnam, and Victor Matthews.

Many more residents have unfamiliar names, choosing a lower profile, and having always concentrated on making money more than garnering public attention. "I've seen some serious City figures in my office," says Mr Roger Trower, head of Broadlands, probably the largest firm of estate agents on the island.

He says that among Jersey's attractions for them are the island's closeness to the UK, the low tax rates, the stable economy and the fact that English is spoken. He adds that the island is very safe for children, with good sporting facilities and milder weather than on the UK mainland. France is only 15 minutes away by aircraft. "I could make a call and be on a golf course there this afternoon," he says. "It's genuinely a nice place to live."

One of the people most influential in making the decision for residency is Mr Colin Powell, chief adviser to the States of Jersey. He or his deputy interviews every applicant to gain information on their background, motives and what they are likely to contribute to the island – such as their time, charitable donations and sponsorship of events, as well as tax.

Mr Powell inspects financial information to ensure that their money is honestly *obtained and to verify their assets.* He then makes a recommendation – without revealing any of these personal details – to the housing committee, which formally makes the decision.

"This can give the impression that there is almost a price to come in," he says. "But some form of selection has to be employed. This was felt to be the best system. The island has a problem of limited space and a concern about population growth."

Mr Powell will not be drawn on naming those who have been turned down, but he says the number is not that large because most who apply have already been screened by professionals from the accountancy and law firms who know the criteria required and who advise those not suitable against going through the process.

Since the early 1970s, Jersey had been allowing in about 15 K-category residents each year. This was reduced to five during more recent times of strong economic growth, but has now been increased again so that about 10 people can expect residence annually.

There are several other ways to qualify to live on the island. Those who are born there naturally have rights of residency, as do those who marry locals. However, Jersey passport-holders must be able to show that they, both their parents and all grandparents were born locally. On the other hand, those with Channel Islands passports are at a disadvantage compared with the UK, because they do not share the right of all European Union citizens to work in any country within the union.

Jersey also allows in each year about 30-40 people in the J category – or "essential employees" – those who are considered necessary for a company's successful operations. Employers have to satisfy the housing committee that anyone granted this status could not be found from among local residents.

Essential employees are allowed to stay for five years, after which they have traditionally been expected to leave. Last year, the housing committee relaxed the requirements so that employers can petition for additional extensions up to 10 years, at which point they can become long-term residents.

Other Europeans can enter Jersey to find work. The problem is finding accommodation. They are forbidden from living in any of the accommodation available for residents in categories A to K. Instead, they must spend their time in lodgings: either specially-designated apartment blocks supervised by the housing committee, or in rooms in other people's houses.

In the past, their status never changed. However, last year the politicians agreed a modest relaxation: those who have lived in Jersey for 20 years or more would be able to settle and buy accommodation as though they were long-term residents.

Andrew Jack

It does not take long for the casual visitor to St Helier to identify one of the mainstays of the local economy: numerous brass, silver and gold plaques symbolise the enormous number of offshore trusts and companies controlled from the island.

But after the great growth of offshore financial services on Jersey since the 1960s, the government has finally begun turning its attention to clamping down more firmly on their regulation in line with controls covering most other parts of the finance industry.

The biggest growth in trusts took place in the past decade, after Jersey became one of the first countries in the world to introduce a trust law in 1984. According to figures from the Jersey Financial Services Commission, nearly half of the top 500 companies in Europe now have companies or trusts on the island, and nearly one third of the top 700 companies in Asia-Pacific.

It now estimates that there are about 200 trust and company administrators, managing several thousand individual trusts holding assets of perhaps £50bn. "Jersey has been distinguished by the quality of legal advice and of the courts," says Mr

■ TRUSTS AND COMPANIES

Towards greater regulation

In spite of the proposed new legislation, Jersey continues to walk a tightrope

Richard Syvret, director of the Financial Services Commission. "The trust law has been much copied in other jurisdictions. It has been a real bonanza."

In the past, Jersey has relied on maintaining high quality by scrutinising businesses when they first apply to set up. Under the 1973 regulation of undertakings law, it has always vetted companies, requiring information such as beneficial ownership.

However, the mood has been changing in the past few years towards greater regulation. The 1984 trusts law only has one very restricted supervisory requirement: that if a limited liability company is acting as a trustee, its directors should be jointly and severably liable.

"The view has now developed that we need to play a part in supervising trustees from the point of view of protecting the island's good name," says Mr Syvret. "We've had one or two small problems." Jersey has generally escaped relatively unscathed from many of the financial scandals of the past few years, but only last year it became clear that the existing system was far from foolproof when two significant cases came to trial in the local courts.

Mr Tony Delaney, a certified accountant, who controlled Deltrust and Sentinel Management, was sentenced to six years' imprisonment after pleading guilty to defrauding clients of more than £1.1m.

Later last year, Mr Nicholas Hanley, a barrister and company and trust adviser, was also sentenced to six years after pleading guilty to defrauding 17 clients of £4.75m which he used to fund his compulsive gambling addiction. This is believed to be the island's biggest ever fraud.

However, work on a new set of regulations began long before these cases came to light. The reason was partly recognition of the growing need for consistent regulation across the financial services sector. "Trusts and companies were the big black hole for regulation," says Mr Jeffery Grime, senior partner of Coopers & Lybrand.

Mr John Pallot, deputy director of the Financial Services Commission in charge of the financial business division, is currently helping draft the Financial Business (Jersey) Law, which will cover trusts and company administrators, as well as insurance intermediaries and investment businesses. Under current plans, his department will increase to eight staff as they adopt their new supervisory role.

Under the proposals, trust companies and other financial businesses will be required to register with the States, be subject to an annual audit, demonstrate they have professional indemnity insurance cover, and show that the directors are "fit and proper" to run the operations.

There will be an annual declaration by the directors on topics such as the segregation of money, the quality of books and records, the state of internal controls, and to ensure that there are at least two executive directors or partners examining the work – the "four eyes principle".

Following an outcry over client confidentiality if civil servants examined trust records, revised proposals say companies will provide an annual statement verified by a reporting accountant.

The delays caused by debate over the trust regulation are likely to delay the law into next year, although some are suggesting the trust elements may be split from the regulations covering the other financial services sectors, to allow these to be enacted more rapidly.

In spite of this proposed new legislation, Jersey continues to walk a tightrope in its determination to continue to attract high quality offshore business. If it does not, it will lose out to the increasingly aggressive competition from some of its rivals – not least Guernsey and the Isle of Man.

Last year, it introduced the International Business Company, under which businesses can opt for a rate of tax as low as 0.5 per cent, and a two-hour incorporation service. "Those companies with a sound track record will find no difficulty in getting a licence," says Mr Syvret. "We are very very open for quality business."

Andrew Jack

■ AGRICULTURE

Mixed fortunes across the industry

As far as arable crops are concerned, the past three years have been average at best and disastrous at worst

Historically, agriculture has been Jersey's most important industry but over the past 50 years it has been eclipsed by the rise of the tourism and finance sectors.

About 55 per cent of the island's land is given over to agriculture, but it contributed only 4 per cent of the income for 1992, compared to 50 per cent generated by the financial sector.

However, the countryside has been a big factor in Jersey's success as a tourist resort and it is in the island's best interest to maintain agriculture as a viable industry. But over the past three years the value of agriculture, excluding the dairy industry, has fallen from £40m to just over £30m.

Many young growers are leaving the industry and if this year is unsuccessful the remaining growers will face a crisis.

On the other hand, the dairy side of the industry is looking remarkably healthy. Jersey's famous cows produce milk with a rich cream content and even though demand for full-fat milk has dropped, sales have continued to increase and are now worth more than £10m a year. This goes against the trend as milk sales in most European Union countries are dropping steadily.

Since 1954, the Jersey Milk Marketing Board has been obliged to take all the milk produced in the island. The limited local market for dairy products and the increasing demand for low-fat products has made it difficult for the board to sell all that it receives.

A recent development has been a move into the portion control market, which has been extremely successful since 1988. Jersey milk pots are now being used by British Airways, Dairy Crest, the milk processing and supply subsidiary of the Milk Marketing Board in England, and Butlins holiday camps. The JMMB is also negotiating with MacDonald's, the hamburger chain.

The dairy is due to buy an extra £1.5m packing machine within the next year to cope with demand and bring production up to 250,000 units a year. Despite this success, the JMMB still receives a subsidy of £1m from Jersey's government, the States, each year.

As far as arable crops are concerned, the past three years have been average at best and disastrous at worst. The main crop, the Jersey Royal potato, accounts for roughly half the annual crop returns. Since 1990, when the crop was worth more than £20m, returns have dropped by almost 25 per cent.

This is not purely due to competition from Cyprus and the Canary islands – the recession and a fair amount of infighting between the four local marketing groups has also damaged the industry by depressing prices.

Almost all crops are exported to the UK and most of these go to the main supermarket chains. The amount of profit made in a season is still largely down to luck, with the weather being the all-important factor.

Diversification has taken place in several areas. Iceberg lettuce is now being successfully grown in the island and is bought by a number of the national supermarket chains in the UK. Indoor tomatoes, once the exclusive province of Guernsey, are now being grown with far more success in Jersey.

Other crops, such as aubergines, are being investigated, but to be of use to the industry they have to be grown in a quantity that would be of interest to a supermarket chain.

Different varieties of existing crops, such as lettuce, cauliflower and flowers, are constantly being investigated by the local States' farm, which has pledged £250,000 specifically for this research. Marketing groups are carrying out their own work but as yet nothing new is being grown in significant quantities.

The trend of the past few years indicates that farmers are returning to the Jersey Royal as the crop most likely to give them a good return on their investment.

While it faces the greatest competition from overseas it remains a unique product with recognisable brand name. The realisation that it is a quality crop which can command a high price has led to greater care being taken during harvesting. As a direct result of the recession, Jersey's Department of Agriculture and Fisheries has decided to direct the £7.6m of aid it gives out in 1994 to those who can demonstrate that they are in need.

Richard Pedley

■ LINKS WITH EUROPE

Special relationship negotiated

Jersey remains enthusiastic and confident about the arrangement, seeing far more advantages than disadvantages

When the UK entered the European Community it negotiated a special relationship with the community for Jersey and its other two Crown dependencies, Guernsey and the Isle of Man.

The islands are not full members but under the arrangement their traditional right of free trade in manufactured and agricultural goods with the UK is extended to all EU countries. But they retain their fiscal autonomy and their long-established right to self government.

They are outside the EU with regard to free movement of people, free trade in services and fiscal harmonisation. EU directives on taxation do not apply to Jersey which has no valued added tax, and is treated as a third country in this respect.

Jersey remains enthusiastic and confident about the arrangement, seeing far more advantages than disadvantages. Mr. Colin Powell, chief adviser to the States, says: "There are inevitably pluses and minuses with any arrangement of this nature, but it is considered that the pluses continue to heavily outweigh the minuses. As far as Jersey is concerned there is no pressure for any change in the relationship – the arrangement continues to be seen as the best option for the island."

But the island keeps a close watch on movements within the EU and retains a law firm in Brussels as its adviser. Senior Jersey politicians and executives make annual visits to Brussels and twice-yearly visits to the UK Home Office for discussions about Europe.

Senator Reg Jeune of the Policy and

The island's agricultural industry remains the sector most affected by the EU *Picture: Jonathan Turner*

Resources Committee, a Jersey politician for more than 30 years, says: "Nobody feels we should change from the decisions made years ago; our position has been a fortunate one.

"It will be a long time before Europe really gets its act together and it will be a looser monster than first thought. It helps us that it is not so tight. But there will be problems for the island and we have to constantly keep our finger on the pulse."

Senator Jeune explained that islanders felt more offshore Europe than offshore UK. While he acknowledges that Jersey fund managers would like easier access to Europe, he does not see any real hindrance to the island's finance industry in general by not being a full member state.

"Providing we keep our nose clean and put in place all the laws for a respectable finance industry," he added.

Mr. Clive Bartoo, senior partner in the Jersey office of accountancy firm Moore Stephens, said: "Jersey's finance industry sees Europe as a large market for the island, and an area of work that will grow. The island's authorities have been travelling to introduce themselves to the European market.

"However, we might miss out because we have no tax treaties with Europe and a lot of European advisers are heavily into treaty shopping."

Mr. Bartoo said his firm had dealt with substantial trusts and their accompanying bank balances for a number of Europeans who view Switzerland as less attractive. "There is a lot of high net worth private trust business to be done there. It appeals more than a Swiss bank account, where difficulties may be encountered in claiming money after the account holder's death."

He said the island's lack of VAT caused a problem for European companies trading with another European country and wishing to dog-leg the transaction through an offshore company. He usually recommends the Isle of Man, which does have VAT, for these purposes.

"But this is not a reason for Jersey to institute VAT," he added.

The island's agricultural industry remains the area most affected by the EU. Mr. Powell said: "While the industry had ensured access to its traditional UK market, with the accession of the UK to the EC that market was opened up to competition from producers in the member states. That competition was increased further with the subsequent accession of Spain and Portugal to the community.

"The island is obliged to comply with European rules on hygiene and production regarding produce it sells to the UK or other European countries. However it is not obligatory for the island to implement directives if no trade is to be undertaken." But Jersey's small fishing industry – with a total annual catch valued at £4.6m – has run into problems. Jersey boats traditionally land catches in both the UK and France. But French fishermen have interrupted market access to their country by blockading ports. The last such incident was only a few weeks ago.

Jersey has only a three-mile territorial water limit, but it is attempting to get this extended to a six-mile exclusive fishing limit around its coast. It is also negotiating with France to replace the old agreements on access.

Senator Jeune says: "We are trying to have much more contact with France, as our nearest neighbour. It is sad about this latest fisheries incident because it could strain the relationship."

Sue Stuart

■ LEGAL AND ACCOUNTANCY PROFESSIONS

Competition in some fields

The legal services market is more tightly controlled than for accountants. Lawyers need to be qualified in Jersey to practice

Glance through the list of accountancy firms in the Jersey telephone directory, and you might be mistaken for thinking that you were in London, New York or Sydney, so many of the same names arise.

All the UK's largest "big six" firms are present, as well as some of the medium-sized firms, to accompany the local names. The most recent entrant, just three years ago, was Arthur Andersen. Mr Greg Branch, partner in charge of the office, says he now has about 25 staff and is seeing healthy growth. With low unemployment and difficulties in recruitment from the UK, he says one of the firm's real problems is finding new employees.

In many ways, the business carried out by the accountants in Jersey is similar to anywhere elsewhere in the world, with accounting, tax and consultancy services all on offer. Mr Branch says demand for consulting, which he imagined would grow only slowly, has proved unexpectedly popular as companies which expanded rapidly in Jersey seek advice on their operations and systems.

In the future, there are signs that the accountants' role will expand as a result of new legislation, including the forthcoming financial business law which will require a reporting accountant to verify to the States' supervisors each year that trust companies and other financial services entities comply with requirements.

The primary element that skews the accountants' business away from the normal pattern elsewhere is the heavy influence of offshore trusts and company administration work.

Coopers & Lybrand, through its subsidiary Abacus, is probably the largest such entity locally. It employs more than 400 people in the Channel Islands, of whom about two-thirds work on trusts and companies.

There is certainly a wide variety and growing number of products available, with work required on personal trusts, special purpose vehicles, "freezer trusts" in which entrepreneurs shield their shareholdings from capital gains tax, and the infamous "asset protection trusts" designed to safeguard the assets of professionals worried about being sued.

In this work, the accountants come into direct competition with lawyers, bankers and other firms offering trust and company administration. "We are all fulfilling the same function though we approach it from different angles," says Mr Geoffrey Grime, senior partner of Coopers & Lybrand.

The exception to this pattern is Andersen, which has avoided entering trust or company administration work. Mr Branch says this is partly a response to the "risk-reward ratio", given that great competition means the fees are relatively low, while there are substantial future liabilities if things go awry.

However, he also says that taking on the role as a trustee or administrator would risk at the very least the perception of a conflict of interest, with the firm acting effectively as directors of companies which may form part of their own client base.

The structure of law firms in Jersey is rather different to the accountants. While a few London practices – such as Gouldens and Theodore Goddard – have established local offices, law is dominated by long-established Jersey-based firms.

This may partly reflect the traditionally less aggressive approach of lawyers than accountants in building international works. In addition, the legal services market is more tightly controlled than for accountants. Lawyers need to be qualified in Jersey to practise, which acts as a barrier to entry.

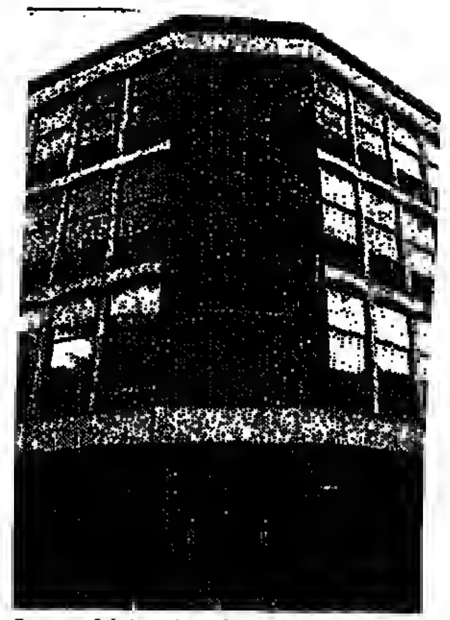
Unlike the UK, most law firms include both barristers and solicitors. Each group is currently separately controlled and represented by its own body, although a debate is now in hand about whether the separate bodies should be merged.

Mr Jonathan White, a senior advocate with Ogier & Le Cornu, one of Jersey's law firms, says there may have been a modest decline in demand for some types of legal services, although he sees continued growth of commercial litigation. "Until now there was almost too much work for too few firms," he says.

How do the firms ensure the honesty of their clients – particularly those without a corporate presence on the island who are subject to some independent scrutiny by officials?

"You have to know your client, but it is horrendously difficult to monitor," says Mr Branch. "The days when people came in with suitcases full of money are long gone. They have become much more sophisticated."

Andrew Jack



Coopers & Lybrand employs more than 400

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■ PROFILE: Colin Powell

Chief adviser has finger on pulse

'Although faced with a difficult economic climate, I still expect Jersey to remain something of a jewel in the economic crown of Europe'

There are very few aspects of Jersey life that Mr Colin Powell, chief adviser to the States, is not concerned with. Whatever the topic and whoever you are discussing it with – politician, civil servant or someone from the private sector – at some point they will refer to Mr Powell.

He has his finger on every pulse and has built up and retains an extensive knowledge of how the island operates. His knowledge, combined with his modest and unflappable manner, has earned him the deep respect of everyone he deals with.

"I see myself as a servant; an adviser to the politicians. You hope that what you have to say will be taken on board, otherwise an advisor's work would not be very satisfying," he says. His diligence and attention to detail over the past 25 years have certainly earned him the open ears of Jersey's foremost movers.

But Mr Powell is not a Jerseyman. He was born and educated in Surrey before taking his economics degree at Cambridge. He followed this with two years in the economic section of the British Iron and Steel Federation in London, before taking an economic adviser's post in the Northern Ireland government at Stormont in 1963 – where he stayed until the end of 1968.

Mr Powell moved to Jersey in 1969 to take up the newly-created post of economic adviser. He said the need arose for the job from two factors. "By the second half of the 1960s, the island's population was increasing by around 1,000 a year. This put considerable strain on the economy and the politicians wanted to know how to control it. Secondly, the lack of economic information made it difficult for Jersey to decide which situation was best for it with regard to the UK's attempt to join the EEC."

His first big task was to produce an economic survey of the island, which was published in 1971. This has been the basis for much of the island's subsequent development. Initially, it was thought that a new survey would be produced after 10 years, but Mr Powell's annual reports and statistical digests have provided the updates.


Colin Powell: modest and unflappable manner

Always a forward planner, he has decided to write a new edition of the economic survey as one of his retirement tasks. He hopes to retire in 1997 when he will be 60 and his other retirement task will be to write a history of Jersey as an international finance centre. "When I first came here in 1969 the finance industry was 9 per cent of the island's income. Now it is 50 per cent and most of the growth was in the 1970s and 1980s."

"My job changes all the time. In the past 25 years no two years have been the same and you have to be adaptable. If a small island is to be successful it must be adaptable. It does not control market forces and must be able to respond flexibly. I have to respond to changing political as well as economic influences," he said.

Jersey's Policy and Resources Committee, responsible for co-ordinating and prioritising the work of other government committees, was formed in 1989. "Underlying that was the need for co-ordination and corporate thinking. The role of co-ordinator fell to me because there was no one else in this position. In 1992, it was agreed the role I was performing was not very aptly described and would be better described as chief adviser."

He feels the new system has worked well, providing a more corporate approach to matters. "This is particularly so now the island has come through a period of recession. We were faced with the need to prioritise and exercise restraint, which the island had not had to do for some years.

"Jersey is very lucky. Its economy is based on two industries – finance and tourism – that face positive markets. I see no reason why growth should not continue over at least the next 10 years."

But he feels there will be changes. "Jersey is a niche market player and has to respond to circumstances in the outside world. Although faced with a difficult economic climate, I still expect Jersey to remain something of a jewel in the economic crown of Europe."

Sue Stuart

■ LEGISLATURE

Crown dependency of the UK

The UK retains responsibility for the island's defence and international relations and the right to veto legislation passed by the States

Protagonists of devolution might well hold Jersey as a role model. It is a Crown dependency of the UK with its own parliament, the States, that is responsible for most of the government of its 80,000 population.

The UK retains responsibility for the island's defence and international relations and the right to veto legislation passed by the States.

The States comprises 53 members – 12 Senators, 29 Deputies and 12 Constables. They are all democratically elected. There are no party politics. Each member is an independent and, by virtue of the island's size, easily accessible to those he or she represents.

The whole is presided over by the Bailiff, appointed by the Crown, who retains the right to a casting vote.

Other Crown appointments in the island are: the Lieutenant Governor, who represents the Queen, the Deputy Bailiff, the Attorney-General, the Solicitor-General and the Dean, all of whom have no vote in the States.

Senators are elected by the whole island's electorate for a six-year term, six of them retiring every third year. The 29 Deputies are elected by constituency electorates for a three-year term.

Each Constable is elected by the electorate of one of the island's 12 parishes.

States members are paid a flat allowance of £8,000 a year, but may draw up to a further £10,000 subject to means testing. Their duties keep them busy about half of every week.

Introduction of the additional allowance a few years ago has led to a broadening of representation in the States.

The States assembles for public debate and voting once a fortnight. Until a couple of years ago it was weekly, traditionally starting at 10.15 to coincide with arrival of the train from St. Aubin. The meetings were unstructured and often postponed to the following week.

Now the fortnightly meeting begins at 9.30 and follows an agenda drawn up by the Greffier, the clerk of the States. Extra meetings can be held when necessary.

The Bailiff, who is appointed to office until his 70th birthday, has a dual role – presiding over the States and over the Royal Court, the island's high court. He and the Deputy Bailiff are the island's judges.

Sir Peter Crill, the current Bailiff, was originally elected to the States in 1951. He sees no need for a change in the Bailiff's dual role and says this was confirmed by the Royal Commission in 1973.

Sir Peter is concerned about a trend towards professional politicians in the island.

"Jersey is very much a community of voluntary service. I believe that because our structure is based on voluntary work, we should not encourage young, professional politicians."

Sue Stuart

■ TOURISM

UK visitors are the bread and butter

The island has become an all-year-round destination. During peak summer periods there are about 22,000 beds available; during the winter about 6,000

The biggest skill we can exercise is to keep the island as it is and not destroy it. Jersey's real strength is what God built, not what we have put here. These are the words of Mrs Sheila Henwood, director of Jersey Tourism.

Mrs Henwood believes that the island continues to be a good product to sell. "We manage to keep a good balance between sophistication and simplicity. It is a very safe environment that has a similar infrastructure to that of the visitor's home but with the exotic appearance of an island."

The last buoyant trading year for Jersey's tourist industry was 1990 – before the recession hit. Since then, visitor numbers have dropped about 17 per cent which, with discounting, probably represents a 20 per cent drop in total value.

But Mrs Henwood feels the tide has now turned. "Last year, visitor numbers from the UK and Europe were up 2 per cent, but there is still a degree of discounting going on. Because the 1980s were such easy years, any drop impacts."

The two leading trends are towards short-stay visitors and more visitors from continental Europe. "The Europeans produce very good business – they stay longer than the British and they spend well. But we recognise very strongly that the UK is our bread and butter," says Mrs Henwood.

Of an estimated 683,000 visitors who stayed overnight last year, some 542,000 were from the UK. France produced 47,900; Germany 20,700; Sweden 17,300; and Ireland 11,600. The island has become an all-year-round destination. During peak summer periods there are about 22,000 beds available; during the winter about 6,000. With several big attractions open during the winter, and the island's physical attractiveness little diminished, most hotels retain a steady flow of visitors during the cooler months.

Mr Renzo Martin, president of the island's hoteliers' association and managing director of five Jersey hotels, said: "The last two years have been tough. We have had to work harder for less bookings and the lack of money meant the local market in dinners and functions has been down this winter."

But Mr Martin says bookings and inquiries are now well up on this time last year, as are the number of conversions from inquiries to bookings. "Because the island is geared to a higher economy than the UK, we've got to make good money. The operation costs of hotels are much higher and we do not have any passing trade.

He believes the States will see the industry through this difficult time. "For the benefit of the island overall, the tourism industry is probably number one in terms of providing resources, employment and work to other businesses.

"The hoteliers' association and the tourism department have a very good liaison. We must work together, then we can achieve a lot," he said.

The island is hoping to set up a central reservation system. Discussions about its funding are currently going on between the public and private sectors and everyone would like to see it activated later this year.


Sheila Henwood: feels the tide has now turned

Most hoteliers advertise privately in UK publications and the tourism department will this year spend about £3.5m in marketing Jersey in the UK. About £1m of this will be spent in television and £1m in the press, mostly concentrated in southern regions.

Mr David de Carteret, Jersey Tourism's marketing manager, said the advertising inquiry response was so far about 20 per cent up on last year. "This year we are getting a resurgence of interest in the family market. I think the reasons are that many of our hotels have large family rooms so they can show a 15-20 per cent price advantage over Mediterranean destinations. Also, the speed and ease of getting here is more suitable for children," he said.

He said the Irish market was picking up, largely due to an increase in departure points in Ireland. "It is very much part of the desire of the public to travel from a local airport. Other destinations may be accessed from only three or four places, but Jersey can be accessed from many smaller airports."

The island, only 14 miles from France, also benefits from large numbers of day trip visitors. Many are from continental Europe; about 140,000 a year.

Jersey's conference business has suffered because of the recession but the island still hosts about 20,000 delegates a year for conferences. Seventy-one per cent of this business comes from the UK, although last year business from continental Europe increased by 50 per cent.

Big growth has been seen in small to medium-sized conferences of fewer than 100 delegates, although conferences of 1,500 or more delegates are still accommodated. Jersey offers one of the cheapest rates in Britain – about £83 a head for 24 hours in a four-star venue, compared with about £140 in London or the Home Counties.

Mrs Henwood said of the whole industry: "The message for 1994 is upbeat. The feedback is positive on inquiries and bookings and we are going for quality and sustainable development."

Sue Stuart